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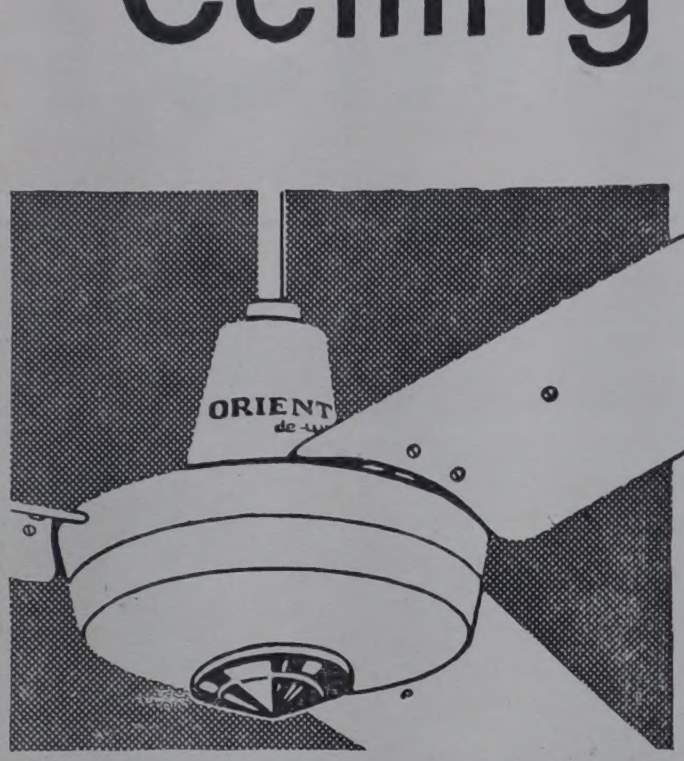

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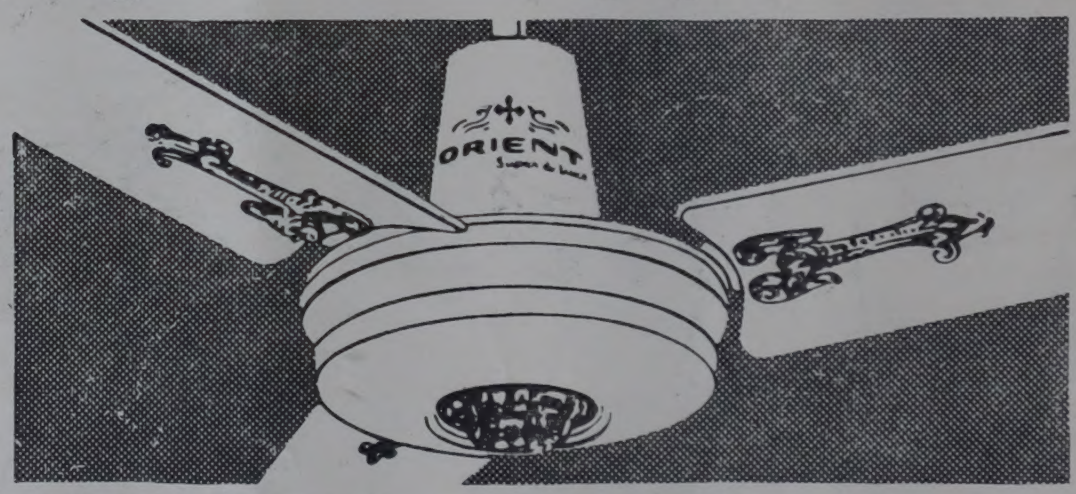

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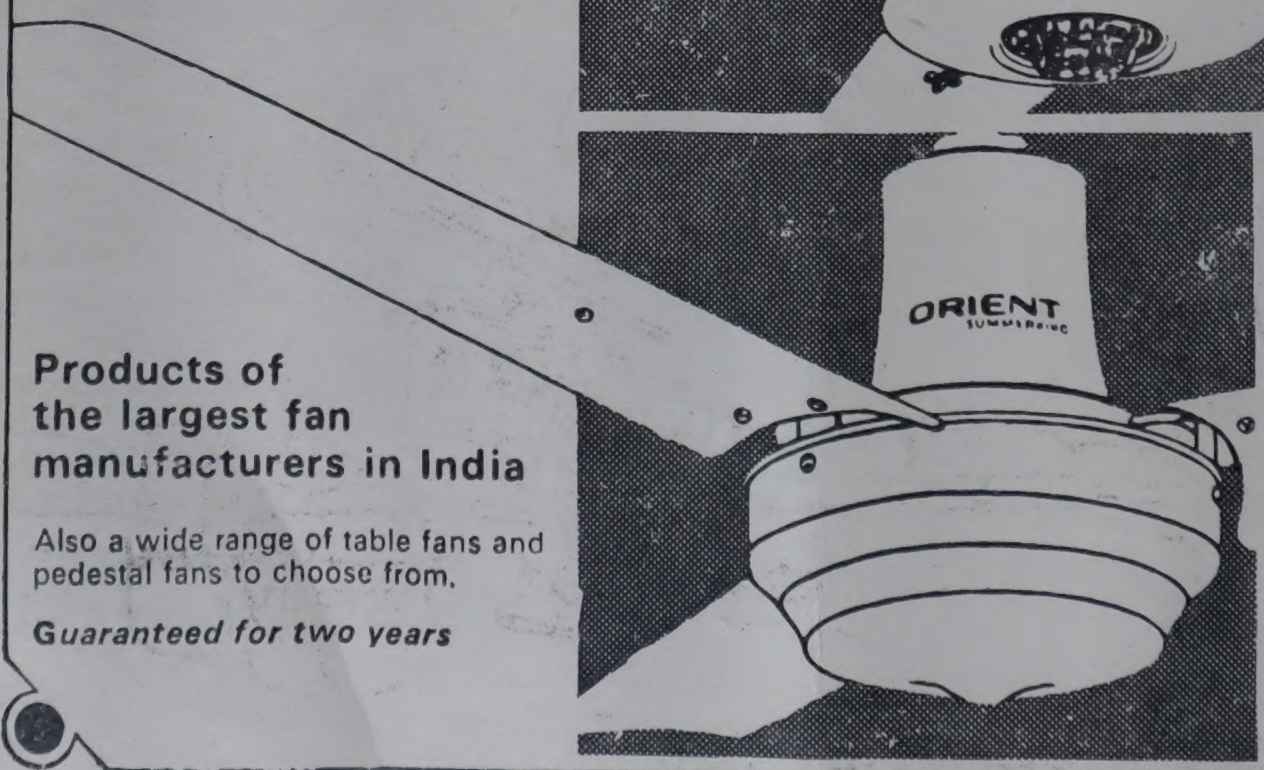

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ading Articles
wth Through a Freer Economy 977
licines for Millions 979
e Preference for Public Sector 980
Search of Industrial Peace 981
pital's Corridors 983
oint of View
ernational Banking and India
. Warner 985
oductivity Changes in Selected
ustries in Tamil Nadu
R.E. Benjamin 993
indow on the World
ing with Currency Floating
Dr Heinz R. Wuffli 996
lustrial Progress in Iraq
Hardev Singh 999
oving Finger 1001
rade Winds
port Duty on Coffee; Oil
upply; New Policy on Edible
l Imports; Castor Oil Ex-
orts; Industrial Licensing;
A Credit for Madhya
radesh; UN Assistance for
gmark Project; Indo-
ugoslav Trade; Bangla Duty
n Cotton Yarn; Rajasthan
nancial Corporation; Steel
r Philippines; Duty-Free
xports to West Germany;
extile Mill in Tanzania;
nion Budget; Credit Guaran-
e Corporation; Thai Travel
gents' Convention; Names
the News 1002-1004
ompany Meetings
unlop India Ltd 1006
shok Leyland Ltd 1008
ompany Affairs
unjab National Bank;
unlop India; Gujarat State
ertilizers; Tata Chemicals;
hmedabad Advance Mills;
amphor and Allied Products;
Wheels India; News and
lotes; New Issues; Dividend 1010-1013
Records and Statistics
urveillance of Exchange Rates 1014
Wholesale Prices; Reserve Bank
f India; Scheduled Banks—
Business in India; Consumer
Price Index Numbers for
ndustrial Workers and for Urban
Non-Manual Employees 1016-1020

Growth through a freer economy

THE PRIME minister has been displaying reassuring awareness of the need for strict monetary and fiscal discipline. He has repeatedly expressed the view that current price trends call for careful regulation of the growth of money supply. Especially to be appreciated is his bold acceptance of the direct relevance of the containment of deficit financing to the maintenance of price stability. Indeed, his concern has been so great that, in his earlier observations he had even been giving the impression that he was ruling out deficit financing forthwith. His subsequent utterances have given a more practical orientation to his resistance to deficit financing and indicated that the goal of zero-deficit financing could be reached not in one bound but only progressively over a period. The progression, of course, should be steep enough and the period reasonably short, otherwise, they will not be able to relate meaningfully to the inflationary pressures now causing anxiety to the government and the community.

In any sensible planning for the elimination of inflation, care has to be taken to avoid deflating business activity or purchasing power in the hands of the public. Otherwise, inflation will merely be replaced by stagnation, leaving the national economy none the better off and possibly somewhat worse off. A proper strategy would seem to call for cuts in public spending to be so regulated that wasteful and unproductive expenditure is avoided while demand is not cut off from areas where it is needed to sustain or trigger investment, production or consumption. It follows that, such a strategy must necessarily be phased over a period of, say, three or four years. Perhaps the government could work towards the attainment of the goal of zero-deficit financing by the year 1981 in the hope, that, with luck, the objective might be reached a year earlier.

Here the Carter administration's anti-inflation programme, announced in Washington last month may have some usefull lessons for us. In the course of a statement outlining this programme, the US president, often reiterating his firm commitment to have a balanced budget in a normal economy by the fiscal year 1981, said that two steps were essential to balancing the budget and that one of them was to discipline the growth of federal spending in the years ahead. His administration proposed to do this by prescribing responsible expenditure ceilings and working continuously within the executive branch and with the congress to ensure that "we stay within them".

Our own Finance minister, while presenting the interim budget last March, seized the first opportunity offered to him to declare that the central government would make a start by pruning and postponing the government's financial commitments including Plan outlays. This reassertion of control over public expenditure, however, is only the first step in giving effect to the view—quoting Mr H.M. Patel—"that financing of public expenditure in a manner which would generate inflationary measures should be eschewed". As the US president has pointed out the principal source of budget deficits is not legitimate federal spending programmes, but inadequate tax revenues from a stagnant economy. He pointed out that, if the US had large budget deficits today, it was because recovery from the worst recession in 40 years was still incomplete. Arguing that, as the recovery proceeded, the deficits must shrink and eventually disappear, he declared that, in his planning for balancing the budget, he would be giving the highest priority to "a durable expansion in the private economy that will generate steady growth of jobs, incomes and federal tax revenues".

This concept of restructuring government budgeting, public expenditure and fiscal policies along non-inflationary lines is perhaps even more relevant to the Indian situation than to the American. This is because the level of employment opportu-

nities is even more vulnerable to fluctuations in the public expenditure in the Indian context than in the American. Since our private sector economy has a far narrower base, anti-inflation measures taken in this country in terms of curbing demand or purchasing power have been hitting jobs harder than they have been hitting prices and it is only because mass unemployment is so chronic in this country that public opinion could be insensitive to this kind of impact. Surely we should start considering now whether progress towards a balanced budget should not be aimed at through stimulating investment, production and consumption and thereby reflating both public revenues and legitimate public expenditure.

The Carter programme provides for permanent tax cuts for middle and low income groups but it does not stop there. It realises that this liberality can be financed only if effective incentives are provided for business to increase investment in new productive capacity as part of comprehensive tax reform. Perhaps the most immediately practical means of providing these incentives in the Indian context is for the forthcoming central budget to extend the investment allowance to all industries since industry in general needs to be helped to replace capital assets and embark on modernisation.

FICCI's suggestion

This suggestion, it may be recalled, was included in a series of proposals put forward by Mr M.V. Arunachalam when he pleaded for the generation of a healthy investment climate in the presidential address he delivered at the last annual session of the Federation of Indian Chambers of Commerce and Industry. He also recommended that selected priority industries might be given this investment allowance at appropriately higher rates. Meanwhile, several industries have been individually making representations to the Finance ministry either against inadequacies in the practical application of the investment allowance scheme to their specific circumstances or the exclusion of them from the scope of the scheme. Mr Arunachalam's recommendation that the scheme should have general application would automatically take care of most of these complaints; but there is also need to review the details of the scheme in the light of its working so that its provisions are interpreted liberally rather than restrictively. The aim should be that the scheme is improved with a view to its fulfilling its essential purposes.

Mr G.D. Birla, also speaking at New Delhi recently, brought out forcefully the need for reviving and reinvigorating the investment climate by pointing out that there had been a virtual stagnation in basic industrial growth for several years, resulting in poor and negligible progress in such important areas of national welfare as employment and agricultural and industrial production. His view that there consequently was a likelihood of unemployment growing further and shortages of essential commodities being increasingly experienced is widely shared in business circles.

forest of rules

Addressing himself to the quest for a solution of the economic impasse, Mr G.D. Birla gave importance to the need for demolishing "the thick forest of rules and regulations" and motivating "the services to be positive and not negative". Here again president Carter's anti-inflation programme makes a number of relevant points. The US president has promised full consideration of the economic cost of major regulations through a more effective analysis of their economic impact. He also intends to place greater emphasis on achieving compliance through incentives and performance standards rather than detailed specification of means and efforts to improve effectiveness and reduce red tape and delay. The US president, again, has said that his government and administration would take up the task of reorganising the government machinery with a view to streamlining its operations, improving its efficiency and making it a more effective instrument to achieve national objectives within budgetary constraints. Thinking in a similar vein, Mr G.D. Birla has pointed out that the government has made laws and rules through which it was impossible to pass and which it seemed to be the sacred duty of the officials to protect. One result is that industrial projects the country is in urgent need of are obstructed or delayed to such an extent that they are often abandoned in despair.

stifling foreign investment

One consequence of this tyranny of the bureaucracy over the national economy is the stifling of foreign investment. Mr Jayaprakash Narayan, when he halted in London, on his way to the US, rightly said that Indian poverty was so stupendous that the resources of the international community should be enlisted for the task of its elimination. This was a wise and courageous statement and it is to be hoped that it would give the political backing needed for the government to reform drastically existing approaches to foreign investment in our industry. Mr G.D. Birla has said that it is possible for the country to attract foreign investment on a large scale and that it is necessary that it should do so. For this, the investment climate and the administrative atmosphere need to be improved. The Carter administration is talking of what it calls a "zero-based review of all federal programmes," meaning that each programme should be taken up for scrutiny by asking what would happen if it was not there. It seems to us that a zero-based review of all government controls is overdue in our country. The MRTP and the FERA, for instance, seem to be obvious candidates for zero-based reviews. There must be more sensible ways of promoting competition in industry than stifling production and investment and wiser means of regulating foreign investment than facing medium firms in foreign countries, interested in investing in our economy, with a labyrinth of procedures and restrictions which they may have neither the desire nor the time nor the resources to explore. It may not always be true that that government is best which governs least, but, in the area of industrial growth, perhaps, much more may be accomplished by a policy of bureaucratic withdrawal than is dreamt of in the philosophy of government intervention.

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Medicines for millions

"THE OBJECTIVE of the pharmaceutical industry is to search for and produce quality drugs and make them available to the people where they are needed and when they are needed." This was the theme of the speech delivered last month at Bombay by Mr Sisir Mitra, president of the Organisation of Pharmaceutical Producers of India (OPPI), at its 11th annual general meeting.

By coincidence, Mr H.N. Bahuguna, union minister for Petroleum, Chemicals and Fertilizers, also spoke on the same subject, while addressing the state drug controllers in the capital on May 11, 1977. He wanted all sectors of the drug industry to extend their support to the government in making quality medicines available to the common man in adequate quantities and at reasonable prices. The minister warned that the Drugs and Cosmetics Act was likely to be amended to award deterrent punishment to those guilty of producing as well as marketing spurious, substandard and adulterated drugs.

central objective

If the drug industry and the government are agreed on the central objective of providing the public with quality medicines at fair prices and in adequate quantities, why are they not cooperating to avoid frequent complaints heard all over the country both in regard to the non-availability and high prices of drugs? Who is failing in his duty? According to Mr Bahuguna, it is the task of the drug controller in a state to enforce quality control measures and to implement the price control order. He asked the controllers to make frequent spot-checks so as to bring the culprits to book. But the manufacturer, the distributor and the retailer also cannot shirk their responsibilities in this regard.

That the pharmaceutical industry in this country has made phenomenal progress since Independence is clear from the statistics cited by Mr Mitra in his address. He said that the production of the drug industry got multiplied 50 times from Rs 10 crores in 1948 to Rs 500 crores in 1976. The capital invested increased from Rs 24 crores in 1952 to Rs 225 crores in 1976. Exports of drugs were negligible in 1948, but increased to Rs 1.27 crores in 1963-64 and further to Rs 26 crores in 1976. While hardly any investment was made in research and development (R&D) in 1948, the expenditure on this account was as much as eight crores of rupees in 1976. The industry has attained a solid base in the past three decades and is poised to raise production to Rs 1,600 crores in 1983-84.

The target of increased production for 1983-84, according to Mr Mitra. can be achieved provided the restrictions and impediments which limit the expansion of existing units are removed. He was of the view that "full utilisation of existing and already installed capacities is hamstrung by various problems such as non-availability of adequate raw materials and FERA/MRTP/licensing policy considerations". The Janata government has still not been able to present to the country a clear-cut industrial policy which it wishes to pursue. However, press reports in this regard do not appear to be encouraging. For example the *Economic Times* in one of its lead stories in the issue dated May 10, 1977, has pointed out that the new government is planning to reverse the policy of automatic expansion of industrial capacity permitted last year, particularly in regard to foreign companies. This step is being taken to reduce the repatriation of profits that foreign companies have been claiming under the policy on the additional production capacity that has been permitted.

If this is the view of the Janata government, it will retard the growth of the pharmaceutical industry even if it brings about some saving in foreign exchange. For continued and uninterrupted growth of this industry it is necessary for the government to give up doctrinaire outlook and sectoral restrictions as recom-

Eastern Economist 30 Years Ago

May 30, 1947

That apprehensions of "Corner" are real and not imaginary, is evident from recent price movements. In a recent issue, we had occasion to draw attention to the anomalous position that prevails in this country in regard to petrol prices. Even though we do not import petrol from the U.S., the price we are called upon to pay is fixed with reference to the American price level. The consequence is that the Indian price is five times the Abaden price and higher in comparison with the Russian price. As we have to depend for the greater bulk of our requirements on imports, it is only reasonable that we pay only what is justifiable on purely economic considerations. We, therefore, urged the Government of India to bestir itself in the matter and secure a more favourable price bargain. Further, point to that is lent by an analysis of American oil price trends in a recent issue of the Financial Times. "During the period of just over a year", the writer has observed, "there have been four increases in the price of crude oil which is now more than 50 per cent above its level of January 1946". March-end prices have rocketed to the highest levels ever since 1926 and there are no signs of a swing downwards. The writer has pointed out that, on purely economic considerations, there is ground for the fear that this upward swing will be maintained. First, there is the level of American demand which, given the present set-up of foreign policy, will be kept high for the military while a fine summer and an open winter last year, induced the civilian population to use more petrol. Civilian demand in the states will continue to range high; but on the supply side, elasticity is no longer to be expected, for already the maximum efficient rate of output is almost universal in the American oil fields. It may be assumed also that these rises in American oil prices will have international upgrading effects.

mended by Mr S.V. Pillai, chairman and managing director of Pfizer Ltd, at the annual general meeting of the shareholders this year. In an industry which depends heavily on imported technology, there should be an absence of barriers between large and small units, and also between indigenous and international units, suggested Mr Pillai. In this way alone can the anticipated growth in this industry be achieved.

The pace of scientific advancement has got quickened in the developed countries during the past three decades and every year new effective medicines are being discovered. Unfortunately, the formalities for the registration and consequent marketing of these new medicines in our country are not only cumbersome but also time-consuming. For instance, the directors of Pfizer Ltd have pointed out that the company had not received as yet approval of the government on its application submitted in 1972 for the introduction of a new broad-spectrum antibiotic. The unnecessary delay in this regard is the cause of avoidable suffering among the sick and the handicapped. There is urgent need for streamlining the procedures so as to reduce the long wait in the introduction of new drugs and to bring the products of scientific research within easy reach of the sick and the poor.

slower movement

It is claimed by the OPPI that the drug prices in this country have moved up at a slower pace than prices in general. On the basis of the official series of index numbers of wholesale prices, it has been demonstrated that the index numbers of prices of all commodities between 1971-72 and 1975-76 rose at the average annual rate of 14.6 per cent while during the same period, the indices for the prices of drugs and medicines increased at the annual general rate of 3.7 per cent. Despite this, the impression prevails in this country that the drug manufacturers are charging exhorbitant prices. To bring down the prices of drugs Mr Bahuguna has suggested that manufacturers should reduce promotional expenditure, advertisement costs and packing costs. Due to the keen competition among manufacturers, it may not be possible to substantially reduce these costs. Moreover, it is not proved that these costs are on the high side. A reference to the working of the Indian Drugs and Pharmaceuticals Ltd—a public sector undertaking—will show that 10 to 12 per cent of the total cost on these elements is essential if a firm is to survive in a competitive market. For the small units there is no escape from this level of expenditure if they want effectively to compete with big companies.

The manufacture of spurious or substandard drugs is a social evil which can be eradicated only if the state drug controllers are vigilant and willing to take stern action against the offenders. Similarly, the over-charging for drugs by retailers can be prevented by bringing the culprits to book. But the frequent shortages of essential drugs in the market can be due to the faulty distribution arrangements made by the manufacturers or because of the machinations of the middlemen in the trade. Whatever the cause this is a wickedness which needs to be eradicated promptly and efficaciously. Both the government and the manufacturers should operate jointly and in complete confidence to overcome the intrigues of anti-social elements, wherever they may be.

Price preference for public sector

INDUSTRIAL ASSOCIATIONS in Calcutta and elsewhere have recently urged the government of India to discontinue the practice of giving price preference to public sector units in the matter of purchases by the government departments. The associations have argued that this policy is no longer necessary since the public sector units have substantially improved their production and profits. It is hoped that the government will favourably consider this plea. The scheme of price preference was introduced some years ago at a time when the public sector units were operating with large idle capacity and were also incurring heavy losses. It was therefore decided that all ministries and government departments should purchase their requirements from the public sector undertaklngs to the maximum extent. They were also allowed a price preference of 10 per cent over the purchases made from the private sector. The union Finance ministry reviewed this policy in January 1977. It was felt at the time that no change was needed and that it should continue for another two years.

The government of India should now consider whether it will be desirable to follow the policy of giving preference to the public sector. The circumstances which prevailed when this policy was first introduced have changed. As the annual report of the union ministry of Industry and Civil Supplies for 1975-76 observed: "In the field of production, the most striking achievement of 1975-76 was in respect of the public sector enterprises. In 1975, public sector undertakings continued to show an impressive rate of growth, which was considerably hjgher than the overall rate of growth in industrial production. In physical terms, the rate of growth of public sector output was of the order of 17 per cent during April-January 1975-76 over the corresponding period of the last year. The public sector has lately emerged as the leading sector in the industrial economy of the country". The report added that increase in production in the heavy engineering sector was "particularly impressive".

On the other hand, a wide range of industries in the private sector continues to be confronted with problems arising from substantial idle capacity. For example, in 1975-76, capacity utilisation in wagons was only 36.35 per cent, in power tillers 18.8 per cent, in printing machinery 24.5 per cent, in coal machinery 21.6 per cent and in textile machinery 38 per cent. Especially in West Bengal and other

states of the eastern region, engineering industries continue to be handicapped due to the lack of a regular and adequate flow of orders despite the steep increase in the Plan outlay of the government of India as well as of the state governments.

The purchases of the various government departments have sharply increased in the last few years and this trend is bound to gather momentum in the near future. The Central Purchase Organisation Council is estimated to make purchases of the order of Rs 900 crores per year. The government therefore should utilise the purchase policy as an effective instrument to stimulate the growth of new industries and the diversification and expansion of the existing units. Industries supplying to government departments have been facing numerous difficulties arising from short notice of tenders, non-receipt of complete tender forms, delays in taking decision on tenders, one-sided terms of contract, cumbersome inspection procedures and, above all, delay in the final settlement of files. These issues have been often discussed at the meetings of the purchase advisory councils but it is reported that they continue to cause considerable difficulties in industries. The government therefore should review the policy and procedures and modify them suitably so that the private sector units are not handicapped in any way in supplying goods to the government departments.

healthy competition

Industrial associations have suggested that government purchases should be made only on consideration of price, quality and performance. Such a policy will also help to promote healthy competition between the public sector and the private sector, which is essential to bring down costs and prices. Mr Morarji Desai, the prime minister and Mr H.M. Patel, the Finance minister, have been stressing the imperative need to avoid unproductive expenditure and to put the available resources to the best advantage in the interests of the country. The government therefore should create such conditions as will enable industries in both the sectors to maximise their production. Though the public sector's performance has improved, there is still large scope for increasing efficiency and enforcing economy in regard to utilisation of capacity, materials management and proper use of working capital.

Sometime ago, the Bureau of Public Enterprises suggested that there should be inter-firm comparisons between major companies in the public sector and the private sector, engaged in the same activity, in such fields as fertilisers, cement, machine tools and pharmaceuticals. It was felt that such a study would be useful to improve the performanee of both the sectors. It will be worthwhile to pursue this idea and extend the study to more industries. Meanwhile, removal of price preference in the matter of government purchases will spur the public sector units to tone up their working and make better contribution to the faster growth of the country's economy.

The private sector units have also to take appropriate steps to improve quality and bring down costs and prices. The government has assured the private sector of the necessary facilities to achieve these objectives. The import policy has been substantially liberalised to enable industries to secure promptly their requirements of raw materials, machinery and components. It is expected that the taxation and credit policies will also become growth oriented. In whichever way the fifth Plan is recast and the sixth Plan is formulated, the private sector will continue to have an important role in economic development and it is only when both the sectors are able to operate profitably that the country can achieve more rapid progress.

In search of industrial peace

THE TRIPARTITE labour conference which concluded its two-day session recently in New Delhi gave two months to a working group on industrial relations laws to submit its report. The group has also been asked to make recommendations in regard to the composition of the Indian Labour Conference. The labour policy of the present government, therefore, will get crystallised only after this report is available. The industrial relations bill may be introduced during the autumn session of parliament.

The government has felt the need for a thorough probe by a specialized committee so as to evolve a lasting basis for its labour policy and to avoid the fluctuations between extremes exhibited by the previous government on this subject. The new labour policy will have to meet the situation created by the lifting of the emergency, when the traditional tripartite consultations machinery for the solution of employer-employee conflicts was completely dispensed with. Only a well-thought-out machinery for the settlement of day-to-day disputes can lead to lasting industrial peace and steady economic activity.

In recent weeks there have been several manifestations of industrial unrest in different parts of the country in the form of strikes and lock-outs, resulting in stoppage of work and disruption of production. The union Labour minister, Mr Ravindra Varma, therefore, assured the conference that the new government wanted to identify the causes of this restiveness and take immediate corrective measures to restore an atmosphere of peace and cooperation in industrial establishments. Mr Varma rightly associated this industrial unrest with the reaction to the period of repression which had created an abnormal situation in employer-employee relationship. The rising unrest can now be tackled only through tripartite consultations following a national consensus on major issues of industrial policy, so as to secure the cooperation of the trade unions as well as the employer organizations in the task of maximising industrial growth.

A specific departure from the labour

policy of the previous government appears to be the reluctance of the new government to make capital out of inter-union rivalries. Mr Varma categorically stated that it was no business of the government to tell workers which unions they should join and whose leadership they should follow. He also made it clear that the government did not seek any partisan ends by bolstering up a particular central trade union, irrespective of the support that it might enjoy from the workers.

significant suggestions

Mr Naval H. Tata made some significant suggestions during his participation in this conference and also in his presidential address to the Employers' Federation of India. He suggested that the concept of the term "retrenchment" should be clarified. In a recent judgment, the Supreme Court had decided that 'retrenchment', as defined in the Industrial Disputes Act, meant any and every termination of service, including discharge of casual, temporary and even fixed-term employees. The judgment held that fixed-term employees, who were employed for a stipulated duration, should be deemed to have been given notice of termination at the time of recruiting their services and when their term ended they should be given retrenchment compensation.

This interpretation, Mr Tata rightly pointed out, was against the universally accepted meaning of 'retrenchment'. Such interpretation could have far-reaching financial implications, since it would involve payment of retrenchment compensation to a large category of employees, who were recruited temporarily on a clear understanding at the time of their recruitment that their tenure of service would automatically terminate on a certain predetermined date. The working group examining industrial relations should clearly state its views on this vital subject.

Mr Tata also pointed out that the right to strike in the case of the worker or to declare a lock-out in the case of the employer was not a fundamental right in any legal or constitutional sense; nor had they been specifically enshrined in any of the ILO conventions or recommendations. However, the National Commission on Labour, expressing itself on the right of labour to strike had stated that "the democratic ideals of the state prevent it from abridging individual freedom, but its socialist objectives justify the government's regulation of such freedom to harmonise it in a reasonable measure with the interests of the society". It had added that whenever the right to strike was to be curtailed there should be "simultaneous provision of an effective alternative like arbitration or adjudication to settle disputes." If, however, the workers wanted to establish their right to strike, the point made by Mr Tata was substantially valid that they were committed to recognise as equally legitimate "right of the employer to declare a lock-out in order to complete the cycle of collective bargaining". The working group examining industrial relations should see the logic that one threat counter-balances the other which prevents either side from the abuse of the right to strike and lock-out.

The decision of the tripartite meeting to call a special conference on unorganised labour, an issue which could not be discussed at this meeting for want of time, has been another significant development. It has been decided to invite to this conference those connected with the economic and social problems of the unorganised sections of labour. This was felt necessary because reports revealed that the condition of agricultural labourers, marginal and small farmers and artisans had been deteriorating in recent years. Similarly, there were many sections of unorganised labour such as construction workers, in the case of which the laws regulating their safety did not exist. A fresh look is also required at the laws regarding contract labour because of the complaints that such labour is being thrown out of work after the abolition of the system. The issue of bonded labour at various places is also to be discussed at the proposed conference of unorganised labour.

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Manager

CAPITAL'S CORRIDORS

Hardev Singh

Fertiliser prices and consumption • Indian participation in ADB projects • Trade with China

ALTHOUGH THE quantity of fertilisers consumed in this country is determined by the area under high-yielding varieties of agricultural crops and intensive promotional efforts, prices of various fertilisers do play an important role in their consumption. Some details of fertiliser prices and consumption have been made available recently by the Fertiliser Association of India which throw significant light on this subject. The fertiliser consumption in this country doubled every five years upto 1971-72 when price fluctuations were nearly unknown. Following a sharp escalation in fertiliser prices during 1974-75, there was an actual drop in fertiliser consumption compared to the previous year. The rabi season of 1975-76, however, witnessed a drop in prices by 7.5 per cent and 13.2 per cent in case of N and P_2O_5 respectively. There was, therefore, an increase in consumption of N and P_2O_5 by 27 per cent and 20 per cent.

drop in prices

The kharif 1976 season saw further drop in fertiliser prices. The N and P_2O_5 prices dropped by 12.5 and 37.4 per cent respectively. This was the period when a subsidy of Rs 1,250 per tonne on P_2O_5 was announced. The increase in consumption was encouraging. The N and P_2O_5 consumption increased by 21.5 and 48.7 per cent compared to the corresponding period during the previous year. The rabi crop of 1976-77 again witnessed a drop in P_2O_5 prices only. The buoyancy in the consumption of P_2O_5, therefore, was substantial, showing an increase of 51.5 per cent compared to rabi 1975-76.

It has been observed that the responsiveness of these nutrients was not uniform with respect to fluctuation in fertiliser prices. This has been partially explained by the fact that a farmer's reaction to a price change would depend on how seriously he was affected by the earlier price situation. In other words, if the profitability was critical for a nutrient, a slight reduction in its prices could bring about a large increase in its consumption.

promotion campaign

Meanwhile the union ministry of Agriculture and Irrigation has set up a fourteen-member task force to ensure efficient implementation of the intensive fertiliser promotion campaign, launched for the next kharif and rabi seasons. The task force comprises senior officials of the agriculture and irrigation departments and also has on it representatives from the Fertiliser Corporation of India, the Fertiliser Association of India, the IFFCO and the NCDC (National Cooperative Development Corporation).

The group will ensure that an adequate number of fertiliser outlets are opened in each of the districts selected for the campaign. It will also see that the required quantities of fertilisers are stocked at the outlets, sort out movement problems, look into credit arrangements and timely availability of seeds, pesticides and weedicides and strengthen extension and farm information and soil testing facilities. Another task of the group is ensuring the utilisation to the maximum of the available irrigation potential. Te group will meet once a month to review the implementation of the programme and take necessary action regarding bottlenecks. The centre has also suggested that similar groups should be set up at the state level consisting of senior state government officials.

The intensive fertiliser promotion campaign was launched in May last year in 58 selected districts in order to boost agricultural production. This year, 66 districts have been selected in 17 states, namely Andhra Pradesh, Assam, Bihar, Gujarat, Himachal Pradesh, Haryana, Jammu and Kashmir, Karnataka, Kerala, Maharashtra, Madhya Pradesh, Orissa, Punjab, Rajasthan, Tamil Nadu, Uttar Pradesh and West Bengal.

* *

While projects financed by the World Bank can receive equipment and service from all over the world, the participation in the projects financed by the Asian Development Bank is restricted to its members only. The Indian efforts to participate in the export opportunities thus thrown up were not sufficiently aggressive. An awareness of the opportunities in ADB-financed projects was created by the coordinated plan of action of the Engineering Export Promotion Council. Effective dissemination of project information, close follow up of Indian offers, effective intervention to seek fair consideration of the offers intended to be by-passed on unsustainable technical grounds, finalisation of guidelines for Indian participation etc have all resulted in greater a wareness of opportunities. As a result of this, Indian parties have started taking greater interest and have participated in a number of tenders. After intensive efforts, a break-through has been achieved in the consultancy field as also in civil construction.

India's share in the procurement of goods and services in the ADB-financed projects is approximately 2.4 per cent only. Japan continues to have a lion's share of more than 45 per cent. India's share would have appreciably moved up but for the cancellation of some contracts originally awarded to Indian firms by some countries which decided to procure equipment without utilising the loan assistance of the ADB. The cancellation of contracts and diversion of procurement of equipment to funding sources other than the ADB cannot, however, be considered due to major

inadequacies on the part of the Indian firms but due to the respective governments exercising in many cases their preference for not only a particular type of equipment but also for procurement from a particular firm or country, which had chosen to make available most favourable payment terms and early deliveries.

A general analysis of the share of procurement from India would reveal that equipment relating to power generation, power transmission lines, transformers and steel fabricated equipment largely accounts for supplies from India.

consultancy services

As regards consultancy, the success achieved so far relates to three irrigation contracts won by WAPCOS, a sugar contracts secured by J.P. Mukerjee and associate and the recent breakthrough in winning a contract for a railway system in the Philippines. Close association of Indian expertise for a portion of the services and supply of equipment relating to a fertiliser plant in Sri Lanka might help gain entry in future fertiliser plants that might come up. A countrywise analysis of procurement reveals that a large share of supplies from India goes to Philippines followed by Nepal, Thailand and Sri Lanka.

A recent study team which visited south east Asian countries and the Asian Development Bank for an in-depth study and evaluation of Indian participation, has made a detailed analysis. This team, based on its evaluation and analysis, had made a number of recommendations for stepping up Indian participation and thereby India's share in the procurement of goods and services in ADB-financed projects. These recommendations concern all agencies including exporters and commend themselves for serious consideration as these have been made based on detailed discussions with all agencies including the project authorities.

The projects coming up with the assistance of ADB can broadly be brought under the following groups: (a) Civil construction, (b) Consultancy, (c) Supply of equipments, (d) Small and medium scale industries through development banks.

Taking into account the strongholds created by competing countries to utilise local skill, expertise and equipments and practical considerations, a selective approach would be necessary to identify the areas, sectors and projects for intensive special efforts to achieve successful results, keeping in view the inherent limitations.

The countries that could be selected for aggressive concentrated marketing compaign and efforts are Afghanistan, Bangladesh, Burma, Indonesia, Malaysia, Nepal, Philippines, Sri Lanka, Pakistan, Thailand and Vietnam.

The sectors that would be considered as potential ones for all-out efforts may be —Power projects: power generation equipment, transformers, sub-station equipment, transmission lines, cables and conductors. Water supply projects: consultancy, pipes, valves, water meters, pumping station equipments, pump sets, power house equipment, fabricated radial gates and structurals. Sugar mill projects: consultancy and complete equipment. Port projects: consultancy, cranes, and fabricated structurals. Fisheries projects: refrigeration equipment, cold storages, marine diesel engines. Infrastructural and land development programmes: earth-moving equipment. Palm oil development projects: complete equipment. Railway projects: consultancy, steel bridges, railway tracks, locomotives and complete equipment. Civil construction: consultancy and turnkey jobs (in selected areas), earthmoving equipment, fabricated structurals. Small and medium projects through development banks: consultancy, supply of equipment, machine tools, hand tools etc.

* *

The State Trading Corporation has concluded a contract for the export of 600 tonnes of shellac to China, according to an official announcement made recently. It has also entered into an agreement with China for import of some of the non-ferrous metals on behalf of the Metals and Minerals Trading Corporation. The total value of the transactions will amount to Rs 1.42 crores.

The STC proposes to follow up the beginnings made at the Canton Trade Fair held in China from April 15 to May 15 and to realise the potential that exists, for trade between the two countries.

Following the exchange of ambassadors with China last year, the question of resumption of trade links with that country was actively considered. In order to explore the possibilities of mutually beneficial trade with China, the union government agreed to permit the representatives of the STC to participate in the bi-annual Canton Trade Fair which is attended by businessmen from different parts of the world.

One of the STC directors and one representative each from the Association of Indian Engineering Industry and the Export Promotion Council for Basic Chemicals, Pharmaceuticals and Soaps sought from the Chinese embassy here facilities to participate in the Canton Fair. The Chinese embassy responded favourably and arranged for the visit of the three representatives to the fair.

The visit is reported to be largely of an exploratory nature so that the authorities concerned acquaint themselves with the trading procedures and identify areas where mutually beneficial bilateral trade opportunities might exist. It was also intended to exchange views on trade matters with the concerned Chinese import and export corporations participating in the fair.

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International banking and India

K. Warner

The isolated fact that a bank handles foreign transactions or that it has a foreign department does not make it an international bank. Twentieth century banks have found different vehicles for developing business across frontiers, the newest of them being consortium banks. Mr K. Warner, Regional Director, South Asia, of Grindlays Bank Ltd, has dwelt extensively on this subject in the 18th Walchand Memorial Lecture which he delivered in Bombay on April 7, 1977. Mr. Warner envisages the role of international banks as "honest Jeo brokers" to find partners for Indian joint ventures abroad and to find overseas buyers for Indian capital goods.

SO MANY tributes have been paid, and rightly so, to Seth Walchand, that it would be foolhardy to attempt to say anything new regarding his vision, his courage, his humanity, his managerial or entrepreneurial qualities. Seth Walchand's dream, as expressed in a speech in 1943, also embodied the model he set for the entrepreneur:

> "I long for the day when we shall have India-made motor cars, locomotives, railway coaches, tramways, buses, aeroplanes, ships, electrical goods, machinery, and the thousand and one things for which we have to depend on imports . . .I quite realise that government help and national planning are essential. . .(but).... Our commercial and enterprising men will be required to devote more attention to industrial enterprises."

dream realised

Seth Walchand's dream as quoted, you will agree, has been largely realised in the India of today. India today, however, has other and some may say more massive problems to face. It is interesting to speculate what Seth Walchand's brilliant mind would have suggested in respect of today's problems and of today's financial systems.

I see that among those who have delivered earlier Walchand Memorial Lectures there have been three distinguished bankers, Mr Iengar, Mr Tandon and Mr Jha, Not one of the three addressed you, however, on banking, perhaps because they were aware of Seth Walchand's firm views on the topic. Certainly in 1931, he did not see anything laudatory in the role of the international banks which then existed in India. He said:

> "Although they (the Central Banking Enquiry Committee) recognize that it is not desirable that India should rely for all time for the financing of her foreign trade on non-Indian banks, the solution they suggest does not certainly take us far...My submission is...that there must be a national outlook while dealing with the question of foreign banks operating in this country...It will be essential in the interests of the country to prohibit foreign banks from accepting any deposits in India.... In emphasizing the need of...restrictions on the foreign banks in this country, we are actuated by a desire to develop Indian banking and our sole anxiety is to put right the banking machinery in India."

POINT OF VIEW

So you will see that I am putting my head into the lion's jaws. Not only am I the first foreigner to deliver this lecture, I am also a foreign banker!

Fortunately, much of Seth Walchand's dream in respect of banking in India has also already been realised. The foreign banks' market share in India today is around eight per cent, and the remaining 92 per cent is with Indian banks. You will, I hope, find interesting a later comparison in this lecture with the percentages prevailing today in London. The State Bank of India today ranks among the world's largest 150 banks. Ten Indian banks have branches abroad. By 1974, these overseas Indian branches were remitting into India annual profits of roughly the same order as the profits remitted out by the foreign banks in India. In other words, in today's India, we have foreign and Indian international banks, operating side by side, but the foreigners' business is very small. I am hoping that after this lecture you will be asking yourselves whether the foreign banks' role here is today large enough.

complex subject

It occurs to me, of course, that the three bankers, to whom I referred earlier, might have avoided banking for their lectures because it is a very large subject requiring much complexity and length in explanation. Please do not be dismayed, however; my lecture will not be complex but I do fear you will find it rather long.

International banking, in the sense of financing commerce between countries, has obviously existed for the many centuries for which such commerce has existed. The Vedas are the oldest literature known to mankind. As a banker, I am happy to note that money-lending features in the Vedas.

Buddhist literature is replete with references to the Shreyshthhees, the ancestors of Seth Walchand Hirachand, who lent money to traders, to merchant adventurers who went to foreign countries, to explorers who penetrated dark forests to discover valuable minerals, and to kings needing funds for war. In the European tradition, the Phoenicians are credited with the earliest international financing operations. The Florentines succeeded the Phoenicians as financiers of international trade and although some of them inspired Shakespeare's Shylock, others undoubtedly contributed to the prosperity of traders, of their country, and, of course, of themselves. More so than indigenous banking,

international finance was based on faith and trust. Long before bankers could call upon governments and laws to enforce transactions, they learnt to call upon other powers. The ancient Greeks, for example, used to invoke the curses of the gods upon the heads of those who did not keep their word. I am sure many of you are aware that "Yours sincerely" means "Yours without wax". In days gone by, it was thought to be extremely bad form partly to fill up one's seal with wax before applying it to documents!

European venue

More recently, and commencing from the mercantilist era, the venue of international finance moved from Mediterranean shores to other European centres. Paris, Zurich, and especially London, developed Merchant Bankers who traded, financed trade and 'diversified', if you will, into financing various kings, their armies, and wars. The kings showed their gratitude by way of special concessions, larger borrowings, high rates of interest, and, in some cases, personal titles and decorations for these bankers. There is the curious case of Mr Merriman, chairman of the Capital and Counties Bank, who received the Portuguese Knighthood of the Royal Military Order of Our Lady of the Conception; historians have been unable to trace the banking services which warranted this high honour, The London merchant banker in his heyday generated many a legend, and financed timber in Norway as well as railways in Chile. Many of these merchant bankers were international in another sense as well. They had branches or family-connected banking firms in different financial centres, mainly Paris and New York.

In the 20th century, international banking is no longer the preserve of the merchant bankers.

At this stage, I would like to spend a few moments dwelling upon what is recognised today as an international bank. The isolated fact that a bank handles foreign transactions or that it has a foreign department is not enough. An international bank needs perhaps three basic characteristics:

— its international business must be a substantial part of its total business
— (secondly), its market share of international business must be significant

and

— it must have an international geographical spread.

Twentieth century banks have found different vehicles for developing international business across frontiers:

— Correspondent banking relationships
— Representative offices
— Non-controlling interests in affiliated banks
— Subsidiary banks
— Joint banking ventures
— Consortium banks
— Branches overseas

The newest of these vehicles is consortium banks. Developed mainly in association with the petro-dollar, a consortium bank is usually owned by a few major international banks and the public or the government in the host country.

best vehicle

The oldest, and perhaps the best vehicle for an international bank is overseas branches. The reasons most frequently given for the choice of this vehicle are:

— it puts the entire capital structure of the bank behind the business of the foreign branch;
— it attracts large corporate borrowers;
— it facilitates maximum control;
— it makes more readily available the backing of other overseas branches, particularly in innovation, marketing, or sales effort.

The growth of international banking after the second world war has been closely linked with the world-wide expansion of the interests of large industrial companies. The return to convertibility of the world's major currencies in 1958 caused an upsurge in the volume of world trade, and consequently the demands for foreign trade finance also soared. The free convertibility of western currencies compelled banks interested in international business to develop operational centres in currency areas of international significance, thereby broadening their bases for sources of funds. Moreover, multinational companies now need a variety of major currencies to finance their business. Floating exchange rates have reinforced this need by the increased currency risks, and it is no longer sufficient for companies raising money to let themselves be guided by interest rates alone. Banks have thus been obliged to follow their big customers abroad in order not to lose the custom to their competitors. Furthermore, the growth of the Euromarkets has led the major banks to establish themselves in those financial centres which have developed into focal points for Eurocurrency business.

The growing financing requirements of the Third World, and the problems and opportunities in re-cycling OPEC surpluses, have given fresh impetus to international financial business. The major international banks are engaged in a variety of ways in financing development projects and in re-investing petrodollars.

An interesting example of penetration into international markets is provided by Barclays Bank, one of the major British banks. Barclays has mixed the various approaches to presence building; new branches, shareholding in either its own name or in existing established names locally, consortia, and the club approach. Major banks from all the EEC countries plus the Bank of Amercia and Sumitomo Bank of Japan have formed the Societe Financiere Europeene. Barclays is the British partner in this consortium and acts as a merchant bank. They also co-ordinate the communication systems, accounting methods and cash transfer systems of the new bank. A truly international effort involving Asia, Europe and America

London's pre-eminence

I mentioned earlier the transfer of major international financing activity from the Mediterranean to London, Paris and Zurich. The pre-eminence of London among these cannot be explained by the political influence of the erstwhile British Empire alone. Bankers from France, Belgium, Germany, the Nordic countries, and even from the Far East went to London to establish houses which were to gain fame and fortune. One famous house (Brown Shipley & Co) was established in Britain by a son sent back from America by an Irish emigrant who had prospered

in the new world. The attraction of London may be explained by a variety of factors:

— the island and geography of England provided to rich Europeans a feeling of security combined with accessibility;

— the English language proved capable of lucid but brief expression, more so than any European language;

— the world developed a faith in British integrity.

miraculous revival

One would have expected the parlous plight of post-war Britain to undermine London's eminence among international financial centres. In almost miraculous fashion, the city of London has thrived as a focal point for international banks despite the British economy and despite the state of the sterling. The reasons lie in the traditions and the skills in-built in all institutions of the city; in the city's adaptability and inventiveness; in the relative cheapness of the infrastructure; in the absence of statutory impediments and because of the existence of a standard tax rate.

There are 255 foreign banks directly represented in London, including seven Indian banks. A further 39 foreign banks and financial institutions are represented through shareholdings in consortium banks. All but nineteen of the world's largest hundred banks are directly represented there. Twelve of those nineteen banks have a shareholding in 34 consortium banks operating in London.

The foreign banks in London have steadily increased their share of the total UK banking market, particularly during the last ten years. At the middle of 1976, the foreign banks boasted total assets of 92 billion pounds, 58 per cent of the total assets of all banks in the United Kingdom. In mid-July 1976, total foreign currency liabilities of banks in the UK were over 100 billion pounds. The foreign banking community accounted for 82 per cent of this total. The foreign banks provide over 60 per cent of the foreign currency requirement of the UK public and private sectors. The enormous dominance of foreign banks in London is, in fact, encouraged by Britain. There are more Amercian banks in London today than in New York.

Europe is the second most important region for international banks. As in London, international banking is highly competitive on the continent. In countries such as Germany and Switzerland, the absence of exchange control has permitted inter-bank competition to prosper. One aspect of banking on the continent is the multicurrency activities of many banks. Large multinational corporations are important customers of banks in this region, and banking institutions vying for their favour must be prepared to render a wide variety of services.

In Asia, the eastern countries which have attracted a concentration of international banks are Hong Kong, Japan and Singapore. Hong Kong is the home of many firms owned by overseas Chinese, and is an important safe haven for internationally mobile funds. Balances in Hong Kong dollars can be deposited with some of the leading banks of the world, which have established banking offices in that centre. Secondly, funds held in Hong Kong can be converted into US dollars, Swiss francs or any other currency on demand by virtue of the free exchange market.

The rapid expansion of Japan's foreign trade has created a substantial demand for financing facilities. Moreover, the rapidly growing Japanese economy has tended to be continually in need of additional credit facilities, which foreign banks, particularly the Americans, have been ready to provide.

Singapore has always been an important centre for international trade in the Far East. The recent influx of manufacturing investment from the USA, Japan, Australia, Hong Kong and other countries has converted Singapore into an important manufacturing base as well. There is minimal control over capital movements in and out of Singapore, which must be to the advantage of that country and its people. India, a traditionally attractive area for international banks, has in recent years renewed its attractions, and hearsay has it that a further number of international banks are now interested in opening here. In the last thirty years, however, financial development and sophistication in India has not kept pace with Singapore and Hong Kong. I shall return to the whys and wherefores of this later.

When speaking of contemporary international banking, I have spoken of multicurrency transactions and the availability of wholesale funds in some centres. Highly important wholesale sources of money are those markets now known as the Eurodollar and the Asian dollar markets, the development of which is an interesting chapter in the story of international banking.

From the end of 1958 there began to develop an increasing awareness of what is now known as the Eurodollar. Ill-defined and often misunderstood, the Eurodollar has become a significant factor in the operations of both foreign and domestic banks, in western Europe and elsewhere.

During the early postwar years there was a serious shortage of the US dollars outside the United States. Stripped of their earning power, industry in western Europe was forced to rely heavily on the funds made available under the European Recovery Programme for purchase of capital goods. This became known as "The Marshall Plan". I have seen this plan portrayed as an immense act of charity towards war-ravaged Europe. It was, of course, nothing of the sort. If only

There are more American banks in London today than in New York. Foreign banks provide over 60 per cent of the foreign currency requirements of the UK public and private sectors. The enormous dominance of foreign banks in London is, in fact, encouraged by Britain.

one man in the world has all the money, nobody else can buy what he is producing unless he first lends the money to those who have none. If he does not do so, his own industries will falter and fail due to the total absence of a market. The Marshall Plan was therefore an act of charity. But it was charity for the benefit of American industry.

With their gradual return to production, however, these recovering industrial sectors in western Europe were increasingly capable of acquiring dollars in sufficient quantities to finance purchases in the dollar area and elsewhere, and they occasionally had temporary surpluses.

These dollars came from several sources. Current payments made in dollars for goods or services exported to the USA was one. The US government disbursed dollars for many of the local needs of US and other military personnel stationed in Germany, France and Great Britain. American companies purchased in western Europe with dollars, as did American tourists, who were beginning to appear in greater numbers.

dollar accumulations

Along with these public and private expenditures of US origin, dollars were also used by non-US, non-west European purchasers of goods and services in western Europe. These purchasers were themselves receiving dollars, for example, as royalty payments on films, patented processes, and mineral rights. In addition, the direct investments of many US corporations abroad, and principally in western Europe, were giving rise to large dollar amounts available in the host countries. US dollars were thus accumulating outside the United States.

These 'External dollars' could be held in the form of US banknotes; but more usually, they were placed on deposit in banks. The growing supply of external dollars was the basis for a market in them. Had the volume of these offshore dollars not increased to create a surfeit where formerly there had existed a shortage, the Eurodollar market could never had taken on today's dimensions. Today, although Eurodollar operations are only one of the activities of international banks, it is by far their most significant activity.

I do not propose to present a treatise on Eurodollars, nor will I pretend that I could, if I would. The importance of the Eurodollar to today's financial system is, however, so great that it seems appropriate to emphasize certain basic notions and relevant facts about the Eurodollar before analysing further the operations of the international banks in this field.

Euro-currencies

It is now generally accepted that a Eurodollar represents a debt, denominated in US currency, owed by a banking institution located outside the United States, as a result of a dollar deposit in that institution. There are also Euro-currency units other than the Eurodollar. French francs on deposit in a bank outside France have come to be called Euro-French francs, just as British pounds on deposit in a bank outside the sterling area are referred to as Eurosterling. There also exist Euro-Swiss francs, Euroguilders, and Eurodeutsche marks as well as other Euro-currencies. Markets for Euro-sterling exist in Paris and in the Swiss financial centres; and Euro-French francs are traded in Switzerland and in London. By far the most important Euro-currency in terms of absolute amounts on deposit, however, is the Eurodollar, of which London is the major repository.

The term 'Euro' is misleading in that it implies that the dollar debt is owed by or to a European. In fact, a US dollar denominated deposit in a bank in Tokyo represents Eurodollars, as does a similar dollar deposit in a bank anywhere in the world, except in the United States.

It is significant that the financial press has included Eurodollars in the sections covering short-term interest rates, rather than among the foreign exchange quotations. Essentially, the Eurodollar is not a unit of currency, but rather a unit of private debt, denominated in US dollars, between a banking institution and a depositor.

I said earlier that the Eurodollar was born out of the post-war dollar shortage outside USA. With the gradual easing of the dollar shortage, there could have been progressively larger dollar accounts at banks in the USA, in the name of non-US residents. Two factors have worked against such a build-up, however. Since the early post-war years, there have been dollar deposits of east European governments in west European banks rather than in banks in the United States. This has been held to be due to a fear on the part of these depositors that dollar accounts in the USA might be blocked in times of political uncertainty or crisis. Indeed, it has been claimed that the telegraphic address ("Eurobank") of the Soviet-controlled Banque Commerciale pour L'Europe de Nord in Paris, was the original reason for the dollars on deposit at that bank being referred to as "Euro"-dollars. Not all such accounts have been in western European banks (for example, many have been in. Canada), nor have they remained outside the USA solely for reasons of political uncertainty.

important element

A second and fundamentally more important element working towards a build-up of dollar deposits outside the United States is the relatively low yields on US government securities and on bank deposits in the states. Lending rates in several countries were generally higher than those in the United States, so that the banks there were usually willing to pay interest on dollar deposits at rates higher than those permitted by the Federal Reserve Regulations. Funds searching for higher rates of return were consequently placed with these banks outside the United States, and made up the bulk of the deposits on which the Eurodollar market was based.

There are today three principal sources of Euro-funds:

—Multinational corporations;

—OPEC oil revenue;

—Countries' balance of payment deficits;

and the chief users of Euro-funds are:

—Commercial banks;

—Governments and central banks;

—Public sector undertakings;

—Multinational corporations.

Recently, Arab oil funds have provided the fastest growing source of funds for the market since 1973. Times and again,

nancial Gurus forecast international urrency chaos stemming from widespread peculation by some OPEC. In fact this as not so far occurred.

The size and complexity of Eurocurency dealings led to the development of consortium banks, one of which is a partnership of as many as fifteen international banks as shareholders. Once in existence, the consortium operates as an independent entity working within the objectives prescribed by the shareholder banks. This form of banking is an important development for the Eurocurrency market. At present there are some thirty-four consortium banks in the city of London, with foreign currency liabilities totalling 7000 million pounds.

source of concern

Lack of a lender of the last resort has always been a serious source of concern in the Euro-markets, but much has been done to restore confidence. The Federal Reserve System was the first to state that it would support properly managed American banks, acting within regulations, who got into temporary liquidity difficulties. Since September 1976, refinance facilities are available to European and Japanese banks from their central banks.

The essence of the Euro-market is its freedom of operation and its ability to mobilise substantial quantities of funds which can be disbursed throughout the world. Central banks have frequently employed the Euromarket as a vehicle to achieve their own economic aims. For example, Bundesbank uses the Euromarket as one of the tools for controlling domestic money supply.

The Eurodollar market, by and large, comprises banks which engage in traditional domestic and international business in tendem with the newer activity of Euro-currency borrowing, lending and trading. An interesting further development has been the emergence of off-shore banking centres, the banks in which engage primarily in Euro-currency business, and have little or no domestic business. Such off-shore centres developed initially as safe havens for capital or because of attractive tax conditions. International banks who opened in these centres soon found that there was a profitable outlet for them in Euro-currency business and in other specialized services. The development of such off-shore business was soon seen to be of great benefit to the host countries and several countries set about establishing off-shore centres.

Examples of off-shore banking centres are Singapore, Hongkong, until recently Beirut, and now Bahrain.

It is now eight years since Singapore embarked on a policy of developing the banking and finance industry into a major sector of the economy. If sheer numbers be the yardstick, the policy has been successful. Because of this, Singapore has been equated with the Asian dollar market by many observers. The Asian dollar market is nevertheless not confined to Singapore alone, but also includes Tokyo, Hongkong, and other Asian centres just as the Eurodollar market is made up of London, Zurich, Frankfurt, and a host of other major European cities. Singapore has patterned its off-shore foreign currency deposits and exchange markets on London.

As at June 1976, total assets and liabilities of the Asian dollar market stood at nearly 15 billion dollars.

Transactions between the Asian dollar market and the Eurodollar market are increasing steadily. The volume of dollar transactions between Singapore and Hongkong is also growing. Differing tax and other laws and regulations combine to make Singapore and Hongkong play complementary rather than competitive roles.

The existence of the off-shore currency market in Asia facilitate foreign currency borrowings by Asian businesses which are relatively unknown in other parts of the world. In Singapore, export-oriented local firms are now permitted by the Monetary Authority of Singapore to borrow off-shore dollars (known as "impact loans") for export finance. Syndicated loans are mainly taken by governments of the area, which take more than 70 per cent of the total Asian dollar loans. Many Asian dollar loans are made for large scale capital investment in oil exploration, mass transit. shipping, mining, steel, chemicals, electricity, automobiles and petrochemicals; off-shore banking in Asia has thus contributed to the economic development of the area. Off-shore banking has also promoted a net capital inflow into the private non-monetary sector of Singapore. The existence of a large number of international banks has generated a feeling of confidence about the country, and this is conducive to substantial investment in the island. Another area where the off-shore banks have made an impact is in transferring a certain cerebral technology to their host countries.

Singapore which has embarked on a policy of developing the banking and finance industry into a major sector of its economy has been equated with the Asian dollar market by many observers. In June 1976 total assets and liabilities of the Asian dollar market stood at 15 billion dollars. Dramatic increases in Arab oil revenues provide Bahrain with opportunities as OPEC funds which go to London and New York might in future shift to Bahrain as the market develops there.

The Eurodollar market, born out of the need to finance the balance of US dollar trade deficits of the European countries, has more recently been used to re-cycle the petro-dollar surpluses of the OPEC. Beirut used to compete for this business, but the internal strife there destroyed the banking base. Bahrain announced facilities for off-shore banking about a year ago.

Within the first nine months, as at end 1976, the Bahrain off-shore centre boasted 29 OBUs, with assets and liabilities of over 6 billion dollars.

The dramatic increase in the oil revenues produced by the Gulf countries (1976 surplus estimated at 36 billion dollars) could provide Bahrain with a 10 billion dollars off-shore market in a full year. The pattern of placements of surplus Arab OPEC funds with major commercial banks in London and New York will

change, and those represented in Bahrain are expected to become the major recipients of funds in future, as the market develops and provides the same on-the-spot service and competitive interest rates as European centres.

The favourable regulatory climate and beneficial taxation regulations which have caused major banks to rush to locate themselves in Bahrain are as follows:

(1) No corporate or personal taxation.

(2) No capital or reserve requirements. Profits may be freely remitted.

(3) Each OBU has to be a fully staffed and operating branch—no brass plate operations are permitted.

(4) The annual licence fee is only 25,000 dollars.

(5) All types of banking business outside Bahrain may be transacted. Within Bahrain, OBUs may deal only with approved financial institutions in foreign exchange and non-Bahraini dinar deposits. There is a possibility that OBU participation in BMA—approved development financing for Bahrain will be permitted. (BMA means Bahrain Monetary Authority).

(6) Separate accounting will be required for OBU and local business, and OBU returns required by the BMA are commendably simple.

main categories

An OBU's business will initially fall into three main categories:

(1) The acceptance of deposits, and the making of foreign currency loans to non-Bahrain residents, including those in the Gulf area.

(2) Foreign exchange dealings with non-Bahrain residents.

(3) Money and exchange dealing with authorised banks in Bahrain.

A key factor in the establishment of an offshore market must be control of domestic credit, despite funds inflows and outflows in the OBU market. To attain this objective, the BMA will deal in US dollars against Bahraini dinars on a swap basis with the fully licensed banks.

The exchange rates for the swaps will be calculated to even out the differentials between Euro-dollar and Bahraini dinar interest rates; this would eliminate the possibilities of Euro-market attractions causing changes in the interest rates or volumes of domestic credit, which may be contrary to BMA policy at that time.

One of the fancy new terms often bandied about in international financial circles today is project finance. There are a number of reasons behind the recent spectacular growth in so-called "project" lending. The major reason is that the cost of many of the projects now on the drawing board is often beyond the capacity of a single government entity or bank.

vast sums required

A casual glance at some of the projects now in the pipeline highlights the vast sums of money which will have to be raised over the next few decades. Bechtel Corporation has estimated that the energy industries of the non-Communist world will invest 2000 billion dollars between 1971 and 1985. A recent study by Frost and Sullivan reckons that Europe will spend 80 billion dollars per annum over the next decade on developing its indigenous energy resources.

At the same time, demand for project finance, from more traditional sources continues. Despite the shipping industry's present problems, the world order book for ship-building amounts to 164m tonnes, worth around 50 billion dollars. The financial demands of the world mining industry, while nowhere near as large as those in energy, continue to grow. An aluminium mine/smelter complex at Vila do Conde in Brazil, for example, will cost over two billion dollars.

Such projects, while technologically feasible, present tremendous financial challenges to the banking community. Many of the projects have a limited life and often have a low "alternative value". This is an important difference for bankers, who traditionally laid heavy emphasis on the underlying asset value. In project financing, however, the underlying asset often has little resale value (for example, a North Sea pipeline) and as a result the bank has to make much more certain that the project can pay back the loan from its own cash flow. Consequently, the lender's risks are somewhat different from traditional banking risks.

The first risk in any project is the resource risk. The source of supply (oil reserves, ore, etc.) may be insufficient to meet the project's requirements during its lifetime.

The second major category of risk involved in any project is the technological one. Normally a completion and performance guarantee from an international bank will be demanded by the project financier.

The third major risk is the market risk: for example, the market price of the ends product might fall dramatically; this is especially important in commodity-based projects. Banks guard themselves against this eventuality, normally by arranging long term sales contracts at fixed prices, or "take or pay" contracts (common in refinery and pipeline financing). Under the latter technique, the project owners are obliged to ship sufficient oil, or whatever, from the project so that the banks are assured of a regular cash flow to pay off the loan. Failure to do so will still involve payment.

higher-risk finance

Project finance is considered of higher risk than traditional bank lending, and it therefore costs more by way of interest and fees. It is an important product for the contemporary international banker. Use of this product, I humbly submit, will help expedite oil exploration and other large projects in the pipeline in India.

Currently there is a world shortage of capital, for which the developing countries must compete with the developed. There are two dimensions of this world-wide capital shortage, of vital significance to developing countries. There is a need to develop domestic financial market institutions and to generate and mobilise domestic capital funds. There is also the need to provide suitable international channels through which foreign capital may be directed towards the developing countries. International banking can play a salient role in these areas as well as make other contributions to the well-being of the LDCs. International banks operating in LDCs have addressed themselves to fulfilling important development finance func-

ons, in addition to pursuing the interna-onal quest for profit. As the president a major international bank noted, the ime function of international banks is e creation of "integrated packages of apital and know-how to stimulate econo-ic development on a world-wide scale."

special problems

In the course of servicing the develop-ment needs of these nations, special pro-blems are likely to appear, if only because of the differing business, social and eco-nomic philosophies and ways of life espou-sed in LDCs. From the LDC citizens' viewpoint, the extension of European and subsequently American banking operations into their lands has had a number of nega-tive effects. Under the colonial system that existed prior to 1950, the overseas expan-sion of London, Paris and Brussels banks resulted in monetary conditions in Europe usually influencing those in the colonial territories, irrespective of whether such conditions were appropriate in the colonies. Thus, if interest rates were raised in the UK as a result of a rise in the bank rate, discount rates would be increased by bran-ches of British banks operating in many parts of the world without necessary re-ference to local needs.

A second feature of the international banking activities of expatriate institu-tions has been the retention of stan-dards and conventions to which the banks had become accustomed in their home countries. It was because of this that industrial finance was unknown to banks in British-oriented countries. A third feature of the commercial banking activities of these traditional international banks in the past was that they often con-centrated on lending to expatriate enter-prises engaged in imports, exports, or extractive industries such as plantations or mining. I am happy to say that, after the middle 50s, there have been distinct policy changes in these areas.

Independence brought with it many changes in the LDCs. Banking ties with the former imperial capitals weakened, indigenous banks grew rapidly, competi-tion between expatriate banks of various nationalities intensified, and the attitude and operations of international banks adjusted to the new order. International banks recognised that operating in newly established nation-states calls for different rules of the game, as compared with doing business in colonies. Distinct credit needs have been identified in each of the newly formed nations. International and indi-genous bankers operating in LDCs recog-nised that the financial system is intimately bound up with the general programme for economic development.

There are perhaps six major areas in which international banking has contri-buted beneficially to developing countries:

—Support to the foreign trade sector;
—Assistance in the development of local financial institutions and markets;
—Facilitating inflows of capital;
—Promotion of thrift and the saving habit;
—Improvement of managerial perfor-mance in banking;
—Provision of foreign exchange credits.

technology, these foreign banks could serve an extremely useful role. Obvious-ly, there are also benefits which accrue to the parent countries of international banks: the profit ratios are higher, and the loan loss rotios are lower, in international banking than in domestic banking; the contacts with governments, investors and the public abroad which these banks deve-lop, can be fruitfully used for a variety of economic purposes; the personnel and management development which takes place in the international banking stan-dards as well.

There is a large number of banks licenc-ed to deal in foreign exchange in India.

Not many of these qualify for the label "international banks" in the sense in which I have been using it. There are however, a few Indian banks who have made re-markable progress in international banking in recent years. As at end 1975 there were eight Indian banks with a total of 75 branches overseas. The end-75 total deposits at these overseas branches were 651 crores of rupees, or over 600 million dollars. Some, most notably the State Bank of India, have ambitious and well thought out plans for further expansion of international business, both by way of opening more branches abroad, and by way of improved handling of major inter-national transactions of their Indian clientele.

There are a few Indian banks which have made re-markable progress in international banking in recent years. As at end 1975 there were eight Indian banks with 75 branches overseas and deposits of Rs 651 crores. The Bank of Baroda opened its first overseas branch in 1953. Today it has 42 overseas branches. State Bank of India, among others, has well thought out plans for expansion of international business.

I have so far spoken of the role of international banking in developing coun-tries in general. To this august audience, I need not labour the point that the term "Developing Countries" includes a highly variegated spectrum, whether in respect of per capita income, financial sophistication, technological base, or local resource availability. Some developing countries are major exporters of capital, others are yet to establish any indigenous banking, some others need to import industrial and manual labour. Generalisations about developing countries are therefore valid only at a tentative level and it is necessary to look at each particular case indivi-dually.

I spoke earlier of the benefits which may derive to the country which hosts foreign international banks. As multina-tional companies, as promoters of inter-national trade, as importers of a cerebral

Although time will not permit my going into details of Indian banks' expansion overseas, no reference to such expansion can be complete without a tribute to the late Mr N.M. Chokshi, and the Bank of Baroda. The Bank of Baroda opened its first overseas branch in 1953. The bank's overseas expansion was pioneered under the stewardship of Mr Chokshi, and such expansion has continued. It today

has 42 overseas branches, the highest number of any Indian bank.

These banks expanding overseas will undoubtedly bring substantial benefits to India, and those of us who represent foreign international banks will welcome them to our "Club".

In India, we have a long tradition of banking and financial markets. The exchange, import and other controls which were necessary in the last thirty years have not allowed the Indian financial markets' sophistication to keep pace with their counterparts in Europe, America, Singapore, Hongkong or Japan, but the basic skills are here and hence such sophistication could be developed very rapidly. India has been an importer of capital, and is likely to remain a net importer, but there are also potential and plans here for increasing export of capital in the immediate future. Several large projects have been established and partly because of the offshore oil finds, many more large ones are in the offing. The heavy industry established over the last thirty years cannot survive on the domestic market demand alone and in any event India must export to survive. The country has a good reputation for foreign debt servicing and repayment, although little use has been made of this to raise loans in internatioal financial markets.

Against this backdrop, which international banking services are suitable for India, and which should be developed to meet the future needs of the Indian economy?

well established products

I would suggest that three well established products of international banking need to be developed further and put to greater use :

—project finance packages, including syndicated loans, syndicated guarantees, etc;

—loan issues in the international financial markets;

—medium term credit for Indian capital goods exports and foreign capital goods imports into India.

These products could be further developed by both the foreign international banks in India and also by those Indian banks which are rapidly emerging as international banks, and about whom I spoke earlier.

In the light of the overall reputation and basic strength of the Indian economy, the large projects envisaged here and abroad by Indian entrepreneurs both in the public and private sectors, and the large capital goods exports planned, it may be well for India also to think in terms of international banking products which are not now readily available here, but which will be needed in the coming decades. For example, should the international banks not be used increasingly as "honest Joe brokers" to find partners for Indian joint ventures abroad, and to find overseas buyers for Indian capital goods? Should they not be used increasingly as advisers to improve the sophistication of Indian money and security markets? Most importantly, should not the existing Indian expertise, contracts and reputation be used to create an off-shore banking centre in India, say at Bombay? Indian residents abroad, whose savings remitted to India already total over two hundred million dollars, could provide the starting base.

strong competition

As I said earlier, Bahrain is the latest off-shore banking centre. It fits neatly into the time differential between London and Singapore, which is an advantage in exchange trading, but is not the sole criterion for locating off-shore banking units. The United Arab Emirates Currency Board has announced its intention to licence off-shore banking. Cairo and Teheran are considering the establishment of OBUs. Casablanca, as the home of the proposed Arab Monetary Fund, is also a likely contender. *Prima facie* it appears that there will be a lot of competition to attract offshore banking business. Nevertheless, OBUs will thrive where there is assurance of their profitability, which would depend upon: loan demand; supply of funds (dependent upon international faith in the OBU 'names' as also in the host country); and a cost structure which would minimize "handling costs" (dependent upon infrastructure of skills, communications, laws, taxation rates, etc.).

I would venture the view that sufficient of the preconditions of OBUs' success exist in India to warrant a methodical examination of the feasibility. We would also need to consider, however, whether India is willing to put through the necessary changes in taxation, in money market structures, in exchange control laws, e c. In any event, with the comfortable foreign reserves now attained by India, the time has surely come for us to think of foreign funds management rather than controls. The important fact about India's international trade today is the rapidly growing export value. As any businessman knows, improved cash inflows require funds management or else idle balances will accumulate. Such funds management would include not only making the maximum profit from surplus balances but also using the cash flow to finance selected long term investments.

rethinking on policies

Mr president, ladies and gentlemen, I submit that in the last three decades, India has achieved much of all that Seth Walchand had dreamed about. Our dreams for the future now need to include: greater overseas expansion of Indian banks, "take-or-pay contracts", internationally syndicated credit, off-shore banking, and also greater use of foreign international banks. And, if any of the existing policies of controls, taxation and discrimination against foreign enterprise do not suit our vision, I am sure that great visionary Seth Walchand would have said, "Let us now re-think those policies".

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Productivity changes in selected industries in Tamil Nadu

R. E. Benjamin

On conducting a study of the four industries in Tamil Nadu, namely cement, sugar, fertilisers and cotton textiles, by adopting two different approaches, the author who is a research scholar in the School of Social Sciences, Madurai University, has come to the conclusion that productivity in all the four industries has increased during the period 1962 to 1971.

REGIONAL INDUSTRIAL development has to make a substantial contribution to the overall economic growth of the country. Four important industries from Tamil Nadu region have been selected in this article for a special study on productivity. These industries are sugar, cotton textiles, chemicals (including fertilizers) and cement. Each of these four industries is important from the economic point of view. Cement industry of Tamil Nadu has been the biggest producer of cement in the country. Sugar industry produces both for the home and foreign markets; the latter has grown in importance in recent years owing to special accent on export of sugar. Fertiliser happens to be a vital input for increasing agricultural output. Cotton textile industry has the responsibility to supply one of the basic needs for the common man. In output and manpower utilisation it ranks highest among industries in the state. The total output of these four industries measured in money terms accounted for about 40 per cent of the total output of all industries in Tamil Nadu in 1962, which is taken as the base year for this study.

overall efficiency

The term productivity can be used to express overall efficiency with which an industry functions. Yet a study on productivity is not to be treated as the same as a study on efficiency of an industry in toto. Though the choice of a factor may depend upon the purpose of an enquiry, still the measurement of productivity is generally reckoned in terms of labour.[1] Here, productivity is spoken in terms of industrial efficiency with respect to labour. The ratio of output of the commodity to the input of the factor is the measure of productivity in relation to that particular factor of production. Productivity therefore means the physical volume of output attained by manhour. In this study the above approach has been used as the norm for measurement of productivity.

two modifications

The period chosen for this study is from 1962 to 1971 which roughly corresponds to the country's second decade of development. The data source for the study is the Annual Survey of Industries.[2] The data represents the whole of factory sector, which includes census and sample units, in other words, all factory units, big and small, which are being run in an organised manner. Two modifications in the data had to be necessarily done to make them suitable for this type of analysis. One is to convert the man-years into man-hours by multiplying the latter by $8 \times 26 \times 10$ (@ 8 hours a day, 26 days in a month and 10 months a year). Physical output not being available, the next thing would be to correct the monetary value of output into a suitable value, at 1961-62 prices in '000 rupees. This is obtained by deflating the monetary value by wholesale price indices of the respective commodities. This would almost be similar to using physical output data and thereby making our productivity estimates reliable and authentic. Three time points have been chosen, 1962, 1966 and 1971 and the period from 1962 to 1971 has been divided into two as period I and period II at 1966. This would be convenient for comparing the two periods. The current year of period I will become the base year of period II.

For estimating productivity, two main-approaches have been used.[3] The two formulae used, which will be given later, are based on these approaches. The first approach is to find out, by using the Unit Labour Requirement (ULR)* of the current period, how many man-hours in the current period are needed to produce the base output. The second approach is to find out, by using the Unit Labour Requirement of the base period, how many man-hours in the base period would be needed to produce the current output. If productivity has increased, then according to formula I, the index should be less than 100, and according to formula II, the value of the index should be more than 100.

First approach : To find out productivity indices by the first approach, the following formula is used.

$$\frac{ULR_c \times Y_b}{L_b} \times 100$$

ULR_c = Current Unit Labour Requirement

Y_b = Base year output

L_b = Base year labour input

TABLE I

Productivity Indices by Formula I

Industry	Period I	Period II
Sugar	91	88
Cotton textiles	90	71
Chemicals (including fertilisers)	92	75
Cement	68	113

During period I, in all the above industries there has been an increase in

*Unit Labour Requirement is the amount of man-hours required for producing one unit of output.

productivity—the degree of increase attained by these industries except cement appears to be uniform. In the case of cement, there seems to be a greater increase in productivity which is marked and significant. Again in period II, there has been a similar increase in productivity in all the four industries except cement. This period seems to have been especially unfavourable to cement industry, since its productivity has actually fallen. This fall in productivity could have been caused by structural distortions, bottlenecks in the supply of raw materials, change in government policy or cost escalations. In this study, details of such causes were not gone into, but there is evidence to show that such causes have plagued this industry in period II.[4]

Second approach : To find out productivity indices by the second approach, the following formula is used.

$$\frac{ULR_b \times Y_c}{L_b} \times 100$$

ULR_c = Base year Unit Labour Requirement

Y_c = Current output

L_b = Base year labour input

TABLE II

Productivity Indices by Formula II

Industry	Period I	Period II
Sugar	162	113
Cotton textiles	110	141
Chemicals (including fertilisers)	122	133
Cement	151	89

As seen from the above table, in period I, there has been an increase in productivity in all industries. Cement and sugar industries have secured higher productivity increases than the other two. Similarly during the succeeding period also, all industries except cement have secured productivity increases. In cement industry, during period II, there is a fall in productivity. This result coincides with the earlier result arrived at by a different formula. This empirical result is the outcome of some unfavourable factors operating in the industry during period II. These factors were responsible for a rising cost of production but in combination with a restricted output. This has naturally resulted in a fall in productivity in cement industry.

In the final section, an attempt has been made to find out how aggregate productivity of the four industries taken together has moved. The same two formulae have been generalised in this case as:

Formula I :

$$\left\{ \frac{\sum_{j=1}^{4} (ULR_c^j \times Y_b^j)}{\sum_{j=1}^{4} L_b^j} \right\} \times 100 \text{ where}$$

the summation extends over the four industries for j=1, 2, 3 & 4.

Formula II :

$$\left\{ \frac{\sum_{j=1}^{4} (YLR_b^j \times Y_c^j)}{\sum_{j=1}^{4} L_c^j} \right\} \times 100 \text{ where}$$

the summation extends over four industries for j=1, 2, 3 & 4.

TABLE III

Indices of Aggregate Productivity

		Period I	Period II
Formula I	all four industries	93	73
Formula II	-do-	113	137

In both periods, results obtained by the two formulae show that aggregate productivity of the four industries has increased. It may therefore be concluded that the overall efficiency of these industries has not suffered any setback during the chosen period in the Tamil Nadu region.

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Living with currency floating

Dr Heinz R. Wuffli

Floating triggers a new economic constellation, with adaptations at the various levels of business, finance and government. Contrary to the expectations of some academic circles, the large-scale and volatile fluctuations of exchange rates still remain in evidence some four years after the onset of floating. The strain placed thereby upon internationally expedient capital flows cannot be ignored. Since the private sector has to safeguard against currency shifts, the banks are confronted with considerable customer demand for forward exchange operations and a greatly changed situation with regard to short-term foreign exchange balances. Here is an abridged version of an address on the subject by Dr Heinz R. Wuffli, newly appointed president of the General Management of Credit Suisse, at the Institute of Banking and Finance in Singapore on January 25, 1977. The decision on surveillance of exchange rates taken by the International Monetary Fund (IMF) appears in the Records and Statistics *section in this issue.*

ONE OF the most significant developments in recent years has surely been the growing recognition that floating has by no means proved the miraculous panacea it was presumed to be by many economists. On the contrary, a new economic constellation with many negative aspects is emerging, the implications of which are only discernable in rough outline as yet. The process of adaptation has already got underway at the various levels of business, finance and government, though it is still far from being completed.

WINDOW ON THE WORLD

The large-scale and volatile fluctuations which have affected exchange rates from the very beginning of floating four years ago remain in evidence today. Actually, distinctive bull and bear markets have emerged for individual currencies, with the scale and duration of movements far in excess of that customary on the stock exchanges for example. This reflects the fact that changes in foreign exchange quotations trigger a process of economic adjustment which in turn tends to largely justify, after the event, the previous rate developments. Countries with weak currencies are thus in danger of slipping into a vicious circle of plummeting exchange rates and galloping inflation, in that the declining external value of the currency fuels inflation via rising import costs. Conversely, the tarnished international competitiveness of hard currency countries is being considerably mitigated by their low rates of inflation.

In response to the instability of such a system, it is often argued that the decline of a currency, as for instance that of the pound, is largely the result of insufficient economic discipline in the country concerned. Though this claim is not quite unfounded, one should never forget that it is impossible to redress past economic misdemeanours or to implement fundamental structural changes without a great deal of sacrifice. If, in addition to the initially adverse development of the trade balance, pressure on the currency is also intensified by capital outflows, the situation may require economic policies of so restrictive a nature as to exceed the limits acceptable in a modern democracy.

In this context, the strain placed by the increased monetary uncertainty upon internationally expedient capital flows cannot be ignored. Much greater interest differentials are now necessary in order to preserve willingness to hold assets in relatively weaker currencies. In fact, the interest rate differential amongst the industrialized countries has never been so high as it is today. It may well be that these discrepancies correspond, by and large, to dissimilar rates of inflation in the countries concerned and fulfil to a certain extent the pre-conditions for equilibrium on the foreign exchange market. Precisely in the British case, however, where the country's deficiencies in foreign trade can be traced back to some fundamental weaknesses in the export industry, an investment-inhibiting monetary policy is not a very happy solution over the long run, not to mention the fiscal burden to which both private persons and companies are subject.

hedging against shifts

Many of the above problems reflect the necessity that the private economy come to terms with floating exchange rates. Under present conditions, it has often become difficult even to predict the direction in which exchange rates will develop; in addition, fluctuations can now assume previously unthinkable proportions. As business can only afford to run such risks within very narrowly defined limits, it follows that they have to safeguard against currency shifts through more frequent hedging operations.

Previously, a country's export industry was largely able to avoid exchange rate risks by invoicing goods in their own currency. But in the light of the changed climate on the international markets, it is no longer possible to do this on the same

cale as before. In order to maintain their ompetitiveness, exporters are increasingly eing compelled to comply with the purhasers' wishes by invoicing in foreign urrencies. The effect of this is to increase he volume of exporters' foreign exchange laims and with it the problems concernng the hedging of these amounts. One lternative for the company in question s to cover every single currency balance on the forward foreign exchange market. Assuming a constantly high volume of transactions, however, exporters may themselves choose to incur debts in the same currencies as the claims. This general form of hedging, which has become more and more popular of late, is in fact highly complex and involves thorough analysis of the companies' currency positions by amounts and maturities, and their development within the framework of the marketing structure.

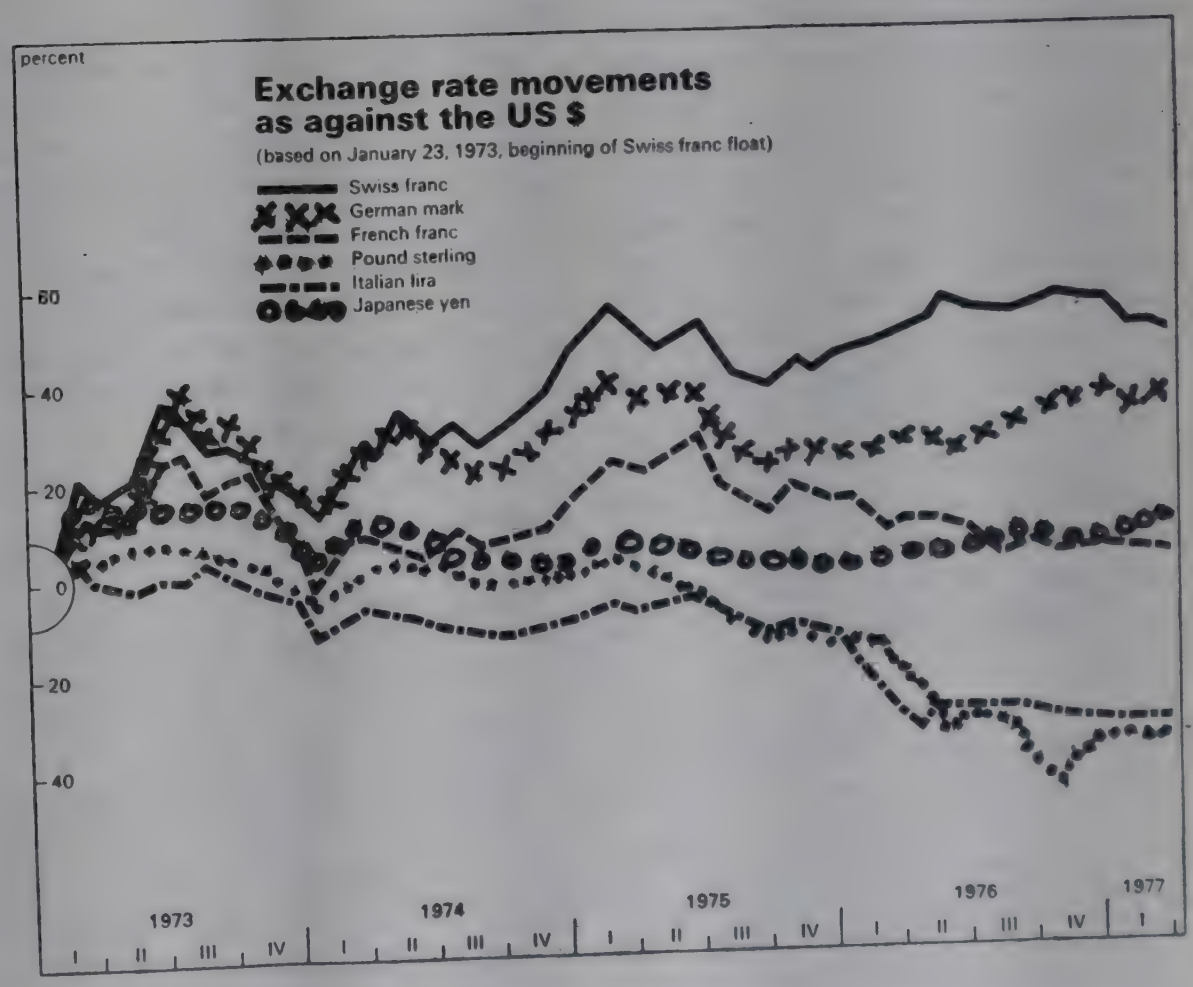
hard hit multinationals

Floating exchange rates have had a particularly hard impact on multinational corporations, which operate manufacturing plants in many different countries. This is reflected by the host of conflicting opinions as to which balance sheet items of the foreign subsidiaries require hedging. One method of tempering foreign exchange risks is to acquire additional hard currency assets by exporting to such countries from foreign subsidiaries producing in inflation-prone areas. Of far greater significance, though, is the frequent practice whereby foreign subsidiaries contract debts, as far as possible, in their local currency.

The price for the cover thus obtained is, of course, usually paid in the form of higher interest rates. Here, due care must be taken to achieve a balanced ratio between estimated risks and costs. Interest rate levels are still often accorded overmuch significance, notwithstanding the fact that the advantage of low interest rates can be eaten up relatively easily by exchange rate shifts. In consequence, before stepping up medium or longer-term debt in hard European currencies, such as the Swiss franc or the German mark, a company should be fully aware of the risks involved.

The banks are thus confronted with considerable customer demand for forward exchange operations and foreign currency loans. As over nine-tenths of their balance sheet totals consist of nominal assets and liabilities, they are at the same time particularly dependent on balanced foreign currency positions. Hence, the banks can only consider granting credits or making investments in foreign currencies if they are in possession of correspondingly denominated customer funds or are able to cover themselves through swap operations. Symptomatic in this connection are the Eurodollar issues floated last year for the first time by Credit Suisse and the Union Bank of Switzerland. Naturally, the banks are also faced with a greatly changed situation with regard to short-term foreign exchange balances.

Prior to the introduction of floating, the Eurodollar market and its younger brother, the Asian dollar market, served, by and large, as a reservoir of liquidity on an international level. Contrary to all expectations, these markets were able to weather the oil crisis and distortions in the payments balances of many countries remarkably well and have shown a high level of flexibility and adaptability. Depending on the domestic supply and demand of funds, substantial amounts of dollars were taken up or lent on a short-term basis, for the most part with no exchange rate cover. Banks in various countries thus used to hold considerable amounts of unhedged dollar assets as secondary liquidity, since these funds, which bore relatively attractive interest rates, could be converted into local currency by the central bank at the fixed official minimum exchange rate. Nowadays, foreign exchange remains easily tradeable, though at a price virtually impossible to determine in advance. Accordingly, the banks' hedging operations and foreign investments in their own currencies have increased in significance, with a corresponding decline in uncovered positions. This is unquestionably a healthy development, compensating to a large degree for the general increase recorded in foreign operation risks. But it also indicates the banks' very limited willing-



ness to accommodate possible peaks of supply and demand in specific currencies by adjusting their own balances.

Trends on the foreign exchange markets are therefore basically determined by the non-bank sector—a fact which can unleash highly volatile fluctuations. Experience has shown that export companies and foreign importers tend to sell or buy currencies forward as soon as the latter show signs of weakness. Private investors, too, render no substantial contribution to the stabilisation of the market, preferring in most cases to make investments in hard currencies, as even substantially higher interest income is poor compensation for potentially heavy exchange rate losses.

specific targets

Against this background, it is obvious that the authorities cannot exclusively mould monetary policy in tune with the needs of the domestic economy. A whole host of countries, including the United States, W. Germany and Switzerland, have of course set themselves specific money supply targets. But in export-oriented countries, particular attention must be simultaneously devoted to the development of the exchange rate, with the possibility of serious friction emerging between the twin objectives of domestic and external economic stability. Since the commencement of floating in 1973, central bank interventions on the foreign exchange markets have swelled to an unusually high overall volume of $150 bn, which many countries will not be able to maintain very much longer. In the case of weak currency countries, intervention and foreign borrowings provide but temporary relief, as they rapidly deplete monetary reserves, increase the burden of foreign debt, and eventually worsen the payments balance via the cost of debt servicing.

The opposite problems occur in hard currency countries, where the situation is also complicated by the fact that foreign currency purchases by the authorities tend to increase both the monetary base and liquidity on the domestic money markets, which in turn may easily lead to higher inflation and jeopardise government stabilisation policies. All this is a very inexact science, especially if one makes allowance for the political hopes and fears affecting exchange rate developments. In trade, as in capital payments transactions, there is thus unfortunately an increasing tendency today to fall back on restrictions. Certain weak currency countries are tightening up the acquisition of foreign exchange against domestic currency, placing restrictions on borrowings by foreigners in the currency in question and speeding up the repatriation of foreign currency receipts derived from export transactions etc. On the other hand, hard currency countries are compelled to implement monetary defence measures against the influx of foreign funds, as for instance an interest ban, and even to impose negative interest rates for new foreign-owned deposits, restrictions on forward sales of local currency to foreigners, as well as a ban on the raising of funds abroad by commerce and industry.

source of concern

As long as the development of the exchange rate remains a source of concern, there may be some justification for such innovations. But in economics there is no such thing as an advantage which is free of disadvantages. Hence, it is impossible to ignore that these measures are making it more difficult for industry to hedge against exchange rate fluctuations. What's more, this combination of restrictions and floating pushes up margins in foreign exchange trading. Such increases are justified, for the more erratic exchange rate fluctuations and the resulting day-to-day risks in foreign exchange operations have swelled the banks' costs.

The upshot of this tendency towards increased use of restrictions is a less efficient foreign exchange market. In weak currency countries, government measures tend to considerably reduce the banks' operational freedom in foreign exchange dealings. But in the opposite case, too, adverse effects can be ascertained. Whereas in the period immediately following the introduction of floating, the increased coverage requirements of business drove up the volume of forward operations to a level approaching that of the spot market, it has since then contracted markedly, due to governmental restrictions in various countries. The narrower market occasionally makes large-scale transactions difficult, while costs can climb rapidly whenever there is a one-sided demand for hedging operations. In the present uncertain currency situation, such disadvantages are no trivial matter. For this reason, the authorities often lean to palliative interventions, either bringing the central bank directly into forward foreign exchange operations, providing exchange rate guarantees on international capital transactions or compensating for cost escalations on export contracts in national currency. Such assistance may be very welcome to those who directly benefit, but this does not reduce its dubious character, detrimental to the development of international trade. It is yet another proof of the time-honoured precept that restrictions usually spawn a continual flow of new offspring—legitimate and illegitimate.

In sum, floating has revealed itself a highly problematic system. There are naturally no miraculous solutions to the present worldwide monetary disorder and the only way out seems to be the long winding road which leads the western industrial countries back to economic policies aiming at external equilibrium and stable domestic prices. The ironic aspect of the whole is that these are precisely the preconditions for a well-functioning fixed-exchange rate system. It can by no means be excluded that we turn full circle and move towards a more stable world monetary order, but this will certainly require a very long time.

timely warning

For the moment, efforts must be concentrated on heading off the distressing movement towards increasing exchange restrictions and avoiding a development which could well plunge the world economy again into a serious and long-lasting crisis. In fact, there are reassuring signs that the responsible authorities at the major central banks are well aware of this danger. The more the central banks are able to retain their independent legal status vis-a-vis the government, the better they will be equipped to fulfil their responsibilities to provide stability and pursue more sober monetary pollicies.

Industrial progress in Iraq

Hardev Singh

Iraq is trying to strike a balance between the immediate need for light consumer industries and the long-term development of heavy industries for self-sustained growth. As these industries require advanced technology, considerable emphasis is being placed on training of cadres in various fields both at home and abroad.

SOON AFTER gaining control of Iraq's destinies on July 17, 1968, the revolutionary regime set about the task of nationalising the country's biggest natural resources—oil and sulphur. This not only eliminated the main threat to Iraq's independence but cleared the way for a programme of planned industrial growth in line with the Arab Baath Socialist Party's philosophy of development. The result was that while during the 1964-69 Plan period the rate of growth in the industrial sector fell far short of the targeted rate of 10 per cent, the next five-year Plan saw the growth rate rise to 18.7 per cent, which was considerably higher than the target fixed in the Plan.

At present oil is the base on which the country's economic growth rests. The current five-year Plan aims at the maximum expansion of mining industries such as the extraction of petroleum and natural gas, and increasing oil refining capacity. Two big oil refineries are being set up with an annual capacity of 15 million tonnes of petroleum each for export. Gas treating units are also proposed to be expanded. Big expansion plans are afoot in the field of petrochemical industries.

petrochemical complex

A number of phosphate and nitrate fertilizer schemes have been sanctioned and work on them is being accelerated. Two petrochemical projects in the south of Iraq, one with a capacity of 120,000 tonnes of PVC and ethylene and other with a capacity of 70,000 tonnes of synthetic materials used principally in the manufacture of fabrics, have already been taken in hand. A giant fertilizer project, one of the biggest in the world, will be ready in 1979, a year before the completion of the current Plan, in Basrah. Work is also proceeding on an iron and steel plant at Khor Al-Zubair, in Basrah. Integrated planned development takes into account proper geographic distribution of big industry in the country as a whole and encouragement of local small-scale industries and crafts in different parts of the country.

balanced growth

Iraq is trying to strike a balance between the immediate need for light consumer industries and the long term development of heavy industries, being the prerequisite of any self-sustained economic growth. At present the state organisation for engineering industries looks after the activities of ten specialised industrial companies in the public sector. These are: (1) The state company for mechanical industries in Iskandariyah, which manufactures agricultural implements, tractors, tools, equipment, nails and screws; (ii) The state company for electrical appliances, which manufactures transformers, electric motors, fans and various lighting appliances and bulbs; (iii) The state company for batteries, producing various kinds of batteries; (iv) The state company for automotive industries, which assembles and produces vehicles and trucks; (v) The state company for steel pipes, at Basrah, which produces large diameter pipes for transport of oil and water; (vi) The state aluminium company, at Thiqar, which produces aluminium sheets and slabs; (vii) The state company for wire and cable production, producing various kinds of copper and aluminium cables; (viii) The industrial complex at Diyala, which produces electric meters, electric irons and plugs; (ix) The state company at Khor Al-Zubair, producing iron rods and angles. (x) The National equipment marketing and maintenance company, which specialises in after-sale service works covering various products of affiliate companies of the state organisation.

What makes the work of all these industries particularly distinct is that they are not traditional industries which could start from a certain background such as textile or cement industries. In the case of engineering industries, the start was from a scratch. These highly sophisticated industries require advanced technology, mass production and large capital investment, as they have to plan for wide markets abroad. This has led Iraq to pioneer the idea of Arab coordination in this field. As a result, the Arab Federation of Engineering Industries was established with its headquarters in Baghdad, as well as the Engineering Industries Institute which is solely concerned with research and studies.

state trading

The State Trading Organisation for Production Goods (STOPG) plays a significant role in the implementation of the national development plan. The STOPG undertakes the supervision of the activities of companies belonging to it so far as matters related to transportation, packing, storage, classification and distribution are concerned, in order to guarantee a regular flow of imported goods or domestic production to end-users. The organisation has six affiliate companies, namely the general automobile company, the state machinery and equipment import company, the central company for the import of steel and timber, the state company for the import of construction materials, the state company for the import and distribution of chemicals and the state company for the import and distribution of equipment and hand tools, which was established recently.

These companies deal with the import and distribution of various goods and equipment such as cars and their spare parts, steel and timber, water pipes, agricultural machinery and spare parts, ovens

and furnaces, chemicals, paints, fire fighting appliances, sanitary equipment, hand tools and various other materials and appliances which are used in production processes of industries.

This organisation also estimates the market demand for various goods and equipment. Estimates are based on the volume of anticipated sales and the appropriations for investment allotted to various industries in the national investment budget. When some of the goods traded by the organisation are locally manufactured or assembled, wholly or partly, these are also taken into consideration in estimating the actual import needs of equipment. In dealing with various foreign sources, the organisation applies only standards of quality, reasonable prices, shipping time and reputation of exporters in selecting any particular source against an alternative. The only exception are the countries blacklisted by the Arab Boycott of Israel Bureau with which the organisation does not deal.

accent on training

Considerable emphasis is being placed upon training of national cadres in various fields of engineering and industrial technology. Apart from sending trainees abroad, there are four specialised vocational training centres attached to the STOPG at Khor Al-Zubair, Diyala, Thiqar and Iskandariyah. Plans are always reviewed to develop training programmes further, to be able to achieve targets in specific fields. A social service training and educational centre was established recently to undertake the basic task of preparing capable technicians. The centre has so far organized a training course for female vocational trainers, followed by a course for female social centre managers. Specialised courses are soon to be organised for children and women care, social research and statistics and store-keeping. The aims of the centre are primarily to improve the scientific and technical background of personnel engaged in various fields of activity. In the field of research and statistics, the data compiled and analysed are to be utilised in prospective educational programmes, with a view to enhancing professional capability.

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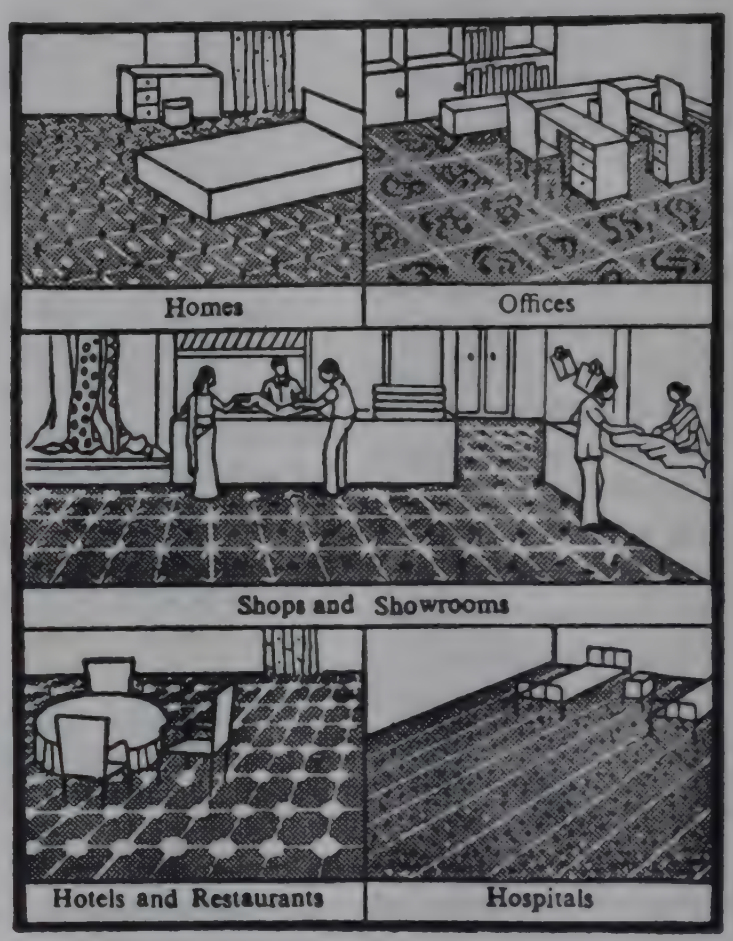

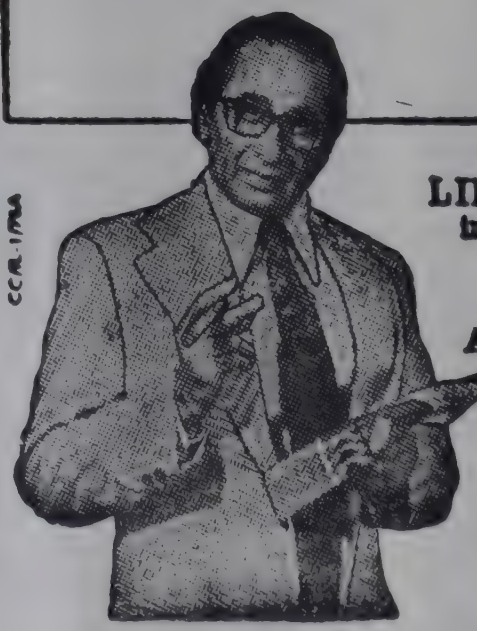

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MOVING FINGER

The prime minister is scrupulously on guard against a personality cult growing around him. Thus, at his recent press conference, he readily explained that one reason why there was a crowd, big or small, at his place in the mornings when he went out to greet visitors was that many of them were simply curious. Many of them, he said, were those who had come to spend a few days in the capital, seeing sights of which the prime minister was presumably one. The attraction, in other words, was not Mr Morarji Desai, but the man who happened to be prime minister. Some of us might feel that Mr Desai was being too modest. Hitherto most of the public has been seeing Mr Desai through other politicians' eyes—and a great many pairs of those eyes were obviously jaundiced. For the first time, perhaps, in his chequered political career, Mr Desai has been able to win nation-wide admiration and esteem. Consequently, large numbers of ordinary men and women now want to see for themselves the kind of man he is and are no longer content to see him as other politicians used to see him. There is therefore a lot more than mere tourist interest in the morning gatherings on the lawns of the prime minister's residence. All the same, Mr Desai is quite right in nipping in the bud on each and every occasion any incipient tendency towards hero worship. The nation has not much to thank Mr D.K. Borooah for, but it can be grateful to him for his "Indira is India", which has exposed the personality cult to eternal ridicule.

Like individuals, parties too could be deified. This is why I am not altogether unhappy that, before the Janata party is tempted to regard itself as a force of nature or a tool of destiny, it has started discovering that it is no more and no less than a political party which has been placed in the seat of power by an electorate which has the inherent right to decide who governs the country or how the country is governed. The squabbles over spoils, actual or prospective, have underlined the fact that the Janata leaders—or most of them—are politicians first and last and that, like all politicians, they would also like to make patriotism pay. Even so they are the best politicians the country has—their Congress opponents are either criminals or associates or accomplices of criminals or accessories before or after.

At the time of writing, it does not seem as if the electorates in the states concerned would be voting for the Janata party out of any great moral fervour. They will be voting for this party, first because they would naturally like to consolidate the good work they themselves had done at the election to Lok Sabha. Secondly, fear and hatred of the Congress party and its gangster-chieftains cannot have disappeared from or even weakened in the communities still licking their wounds of the emergency. In the third place, the Congress has become habituated to electioneering in the luxury of office, its power, privileges and perquisites.

Incidentally, one reason why so many Congressmen are buzzing around Mrs Gandhi like flies around a rotting cake of *gur* is that she is reputed to be sitting pretty on the biggest surplus of party cash in the history of the financing of Congress politics. How much of that cash would be actually released for the Congress gamble in the state elections is anybody's guess. Omar Khayyam was not always a romantic—he had his lucid moments:

"Ah, take the Cash in hand and waive the Rest;

Oh, the brave Music of a *distant* Drum!".

The prospects, then, are that the Janata party will be securing comfortable majorities in the Hindi belt, may emerge as the largest single party in West Bengal and Orissa and, with luck, could win by a nose in Tamil Nadu. Its greatest political gain, as its goes electioneering, is that it has worked clear of the CPI(M) association. It could now afford to work for greater credibility for its unity of outlook and purpose.

The governor (until further notice), of the Reserve Bank, Mr N. Narasimhan, recently said on Delhi TV that "an objective and impartial" study should be made to determine whether the experiment of the regional rural banks, promoted with a measure of fervour during the emergency, should be continued. As late as on January 31 this year, at a meeting which the then minister for Revenue and Banking, the notorious Mr Pranab Kumar Mukherjee, had with the heads of regional rural banks, it was decided that the number of these banks, which was 40 as of December 31, 1976, should be raised to 60 by the end of March, 1977. In the light of Mr Narasimhan's current or currently expressed view of these banks, it may be presumed that, although he was at the time Secretary, Economic Affairs, in the Finance ministry, his views were either not asked for or they did not count when the January 31 decision was taken.

Nevertheless, I wonder whether the story one heard during the early days of the emergency was entirely apocryphal. Mr C. Subramaniam and Mr N. Narasimhan, so it was said, were hurrying from the North Block to the South Block, where Mrs Gandhi was waiting for her colleagues to give her points for her 20-point programme. The then Finance minister, feeling no brain waves, asked the official by his side for a few bright ideas. Mr Narasimhan, delving into his memory of pigeon-holed reports, obligingly dredged an ancient recommendation for rural banks. This is one of those tales which, even if not true, deserves to be true.

V B

TRADE WINDS

Export Duty on Coffee

THE UNION government announced on May 18, a cut in export duty on coffee from Rs 2200 per quintal to Rs 1600 per quintal. The export duty on coffee had been raised from Rs 1300 per quintal to Rs 2200 per quintal on April 26. The increase had been effected in view of the steep increase in international prices of coffee in recent months. The export duty had been raised from Rs 300 to Rs 1300 per quintal in November 1976 to mop up windfall profits with the boom in international coffee prices. Against a little over Rs 4.5 crores realised in 1975-76, export duty from coffee was estimated to yield Rs 30 crores in 1976-77 and the interim budget for 1977-78 had assumed Rs 70 crores.

Oil Supply

The situation regarding the supply of oil products in the country is likely to become normal following resumption of work at Gujarat refinery and Bombay Port Trust. Workers of the Gujarat refinery, near Baroda, called off their nine-day strike recently following an accord between the management and the Refinery Kamdar Sangh. The agreement that led to the withdrawal of the strike which began on May 11, was hammered out after long parleys between the refinery authorities and the workers' representatives.

Bombay Port Trust (BPT) strike was also called off. The 11-day strike, which had kept out ship-loads of essential supplies including crude oil, came to an end as prime minister, Mr Morarji Desai, appealed, to port labour to resume work. An agreement was reached between the BPT workers' representatives and the government. All the major demands of workers have been accepted.

New Policy on Edible Oil Imports

The government has decided to invalidate all edible oils and oilseeds import licences issued so far, unless the importers had made firm commitments within three months of the date of issue of the licence. All current import licences for edible oils and oilseeds will be deemed to have been issued subject to the condition that firm import commitments are made within three months of the issue of an import licence. The validity period of a licence will be one year. No fresh licences will be issued to a party if it has not imported goods under an earlier licence. A fresh licence will be granted only to the extent to which the previous licence held by that party has been utilised by way of actual imports as shown in the customs copy of the licence. The firm commitments required to be made within three months of the issue of the licence will mean opening of an irrevocable letter of credit or any other irrevocable commitment to import the goods. No extension in the period for making firm commitments or in the validity licence will be allowed. These steps have been taken by the government in view of the fact that though import licences worth Rs 556 crores had been issued, actual imports against them so far are valued at only Rs 40 crores. Taking into account the firm commitments made so far, the total imports would reach Rs 70 crores.

Castor Oil Exports

The ban on castor oil export has been removed by the government through a notification issued on May 13. However, the exports will be canalised through the State Trading Corporation (STC). Castor oil has been one of the major foreign exchange earning commodities for STC and during 1976-77 castor oil exports earned Rs 31 crores, nearly double the value earned in previous years. Removal of the ban has been demanded by the trade for quite some time, especially in view of the favourable price trends in world markets after the failure of Brazilian crop last year.

Industrial Licensing

The industrial licensing procedure has been modified. Applications for licences will now have to specify the power and water needed for the project proposed to be set up. According to an official release issued recently it has been decided to amplify the existing column 18 of the industrial licence application form. Since in the existing application form for the registration of industrial units with technical authorities, such as DGTD, there is no provision to ascertain the requirements of power and water. It has been decided to introduce two new columns in the registration application form in which the applicant water (furnish quantity) is available for the requirement of the factory and township and staff quarters and whether it will be drawn from public sources.

In regard to power supply, the applicant will have to indicate the total requirement of power (connected load in KW and maximum demand for KVA) for the proposed project with a breakup of power requirement to be met from its own generating station and from public supply. In case the project owns a power station, the particulars of plant in operation will also have to be indicated.

IDA Credit for Madhya Pradesh

Agricultural extension and research in Madhya Pradesh will be strengthened with the assistance of a credit of $ 10 million from the International Development Association (IDA) an affiliate of the World Bank.

The $ 20.9 million project is directed towards achieving, in the short term, sustained growth in agricultural output, particularly foodgrains in 15 of the 45 administrative districts of Madhya Pradesh covering about seven million hectares of cropped land. The project will emphasise the consolidation and strengthening of the state's extension services and help reorient adoptive agricultural research to provide farmers, on a regular systematic basis, with advice on farming practices having an immediate impact on yields. The project will be executed over a five-year period. The IDA credit to India is for a term of 50 years, including 10 years' grace. It is interest free, except for a service charge of ¾ of one per cent to meet IDA's administrative costs. The union government will channel the

proceeds of the credit to the state government.

UN Assistance for Agmark Project

The United Nations Development Programme (UNDP) has sanctioned $1,544,700 for the Central Agmark Research and Training Institute to be set up in Nagpur. The project aims at improving the marketing system with a special reference to marketing technology of the perishable products like fruits and vegetables under Indian conditions. Through research it would try to minimise wastages at various stages of marketing, simultaneously making marketing system more efficient. This will help to conserve protective foods the loss of which is estimated at Rs 300 to 500 crores. This colossal loss is the result of underdeveloped marketing techniques besides unsatisfactory methods adopted in harvesting, grading, sorting, transportation, handling and storage of these commodities.

Indo-Yugoslav Trade

Trade between India and Yugoslavia is expected to double over the next five years, from a level of $186 million touched last year. The two countries have agreed to make earnest efforts to diversify the exchange of items and promote industrial collaboration to achieve the objective. The Yugoslav government has effected certain liberalisations in policy so as to facilitate more imports from this country. To begin with, Yugoslavia has confirmed interest in placing a new order for the import of 1,200 wagons. A delegation of the Projects and Equipment Corporation will visit that country next month to work out details in this regard.

Another interesting feature of the agreed minutes signed recently after the conclusion of the three-day deliberations of the Indo-Yugoslav joint committee was the Yugoslav proposal to set up a sponge iron plant in India which was discussed in great detail. A delegation from Yugoslavia will come here within a month to have discussions on the basis of a feasibility report already prepared by the Steel Authority of India. Apart from the export of sponge iron, the proposal also envisages Indian exports of iron-ore and pellets to that country.

The agreed minutes were signed by the leader of the Indian delegation, Mr Mohan Dharia, minister of Commerce and Dr Anton Vratusa, vice-president of the Federal Executive Council of Yugoslavia, leader of the visiting team. Apart from promoting industrial collaboration and also taking up joint venture projects in third countries, the two sides agreed on the need for encouraging direct contacts between the Yugoslav and Indian business enterprises through the setting up of a joint business council.

Bangla Duty on Cotton Yarn

Bangladesh government has decided to reduce the customs duty on certain counts of cotton yarn with a view to further augmenting its availability at reasonable prices. According to press reports, under the new arrangement, customs duty on cotton yarn below 60 counts will be reduced from 30 per cent to 10 per cent and on yarn of 60 counts and above from 40 per cent to 15 per cent. The government has also decided to reduce the sales tax on both the items from 20 per cent to 10 per cent provided these are imported under the export performance licence, the press report stated.

Rajasthan Financial Corporation

Capital subsidy amounting to Rs 90 lakhs has been sanctioned to 61 Rajasthan Financial Corporation (RFC) assisted industrial units in the industrially backward six districts of the state, in the year ended March 1977 as compared to Rs 41 lakhs sanctioned to 50 industrial units in the preceding year. This was 120 per cent higher than the previous year's sanctions.

The union government has declared 16 districts as industrially backward out of 26 districts of the state. Six districts out of these 16 districts viz. Alwar, Bhilwara, Churu, Jodhpur, Nagaur and Udaipur have been specifically selected for cash subsidy. Each entrepreneur who sets up his industrial unit in these six districts is entitled to 15 per cent cash subsidy on his total fixed capital investment i.e, land, buildings and plant and machinery, over and above the other facilities and concessions. RFC has disbursed a sum of Rs 76 lakhs to 72 units in 1976-77 as subsidy in these six backward districts as against Rs 30 lakhs to 54 units in the preceding year marking an increase of 33 per cent in units and 150 per cent in the amount.

Subsidy amounting to a little over Rs 2 crores to 176 RFC assisted units has so far been sanctioned and Rs 1.20 crores have been disbursed to 136 industrial units in these districts. The maximum share of subsidy has gone to Alwar district where Rs 53.81 lakhs have been disbursed by the corporation. Jodhpur district comes next where Rs 29.18 lakhs were disbursed followed by Udaipur, Bhilwara, Nagaur and Churu districts where Rs 16.04 lakhs, Rs 13.97 lakhs, Rs 5.81 lakhs and Rs 0.94 lakhs have so far been disbursed respectively as subsidy by the Rajasthan Financial Corporation.

Steel for Philippines

The Philippines is emerging as a major market for India's steel items. In the current year, India exported to the Philippines 58,000 tonnes of steel billets worth $ 8.8 million which is a significant breakthrough. Total exports to the Philippines in the first three quarters of 1976 reached $15.3 million, about three times the figure for 1974. Apart from the export of steel billets four other contracts secured by Indian firms are under execution. These include $10 million worth of transmission towers, $1 million worth of insulators, $3,87,500 worth of bulkheads for the Philippines hydro-electric projects and glass items worth $49,000.

Duty Free Exports to West Germany

Duty-free entry for seven more items into West Germany from India, along with other developing countries, under the Generalised Scheme of Preferences (GSP) has been discontinued for the year 1977 because the quantity ceilings fixed by EEC for that country have since been utilised. Further imports of these items will be allowed against payment of duty which ranges from five per cent to 22 per cent. The items are : pineapple, cut into slices, segments and spirals; finished goat and kid leather; cotton yarn, put up for retail sale; knitted or

crocheted gloves, not elastic or rubberised; outer garments and accessories, other than knitwear not elastic or rubberised; bags and sacks for packing purposes, of woven textile fibres, except those made out of jute; and glazed tiles.

But there are six items in which India will have to edge over other developing countries in whose case quota ceilings under GSP for duty-free entry have already been exhausted. Exports from India of these items which are still duty-free will therefore, be more competitive than those from other developing countries which will have to pay duty ranging from eight per cent to 19 per cent. The six items are as under, with the name of the country in whose case the duty-free entry has since been discontined: Woven synthetic fabrics (South Korea); sails, tents and tarpaulins (South Korea); shoes with leather uppers (Brazil); umbrellas, parasols, sun shades (Hong Kong); glass inners for vacuum containers (Yugoslavia) and stainless steel spoons, ladles, forks etc. (Hong Kong).

Textile Mill in Tanzania

A consortium of Indian Textile Machinery Manufacturers has finalised a contract with the National Textile Corporation, a Tanzanian government undertaking to set up a Rs 10 crore cotton spinning mill complex with a capacity of 36,960 spindles on a turn-key basis. The textile mill which is planned to be commissioned, within two years will be fully air conditioned complete with Indian machinery, equipment and electrification.

This country will also make available the technical know-how and will provide technical training and education to Tanzanian technicians tentatively at the Baroda university in courses of textile technology and textile engineering. This successful turn-key project deal represents a major break-through on the part of the Indian textile machinery in the developing world, particularly in the countries of Africa.

Union Budget

The union budget for 1977-78 will be presented to Parliament on June 17. The pre-budget economic survey will be laid on the table of the two houses on June 13. The revised railway budget for the current fiscal year is likely to be presented on the opening day of the budget session on June 11.

Credit Guarantee Corporation

The Credit Guarantee Corporation of India has recently taken several measures to enlarge the scope and benefits of its guarantee cover. For instance, advances for consumption needs or for purchase or construction of houses or tenements wholly or mainly for dwelling purposes have been brought within the purview of the small loans guarantee scheme, provided the advances form part of the credit extended to borrowers for their main business or activities already covered by the scheme. To ensure that the benefit of the guarantee went to the smaller borrowers, certain maximum limits have been stipulated in regard to the amount of credit to be extended for the above purposes. Similarly, the benefit of guarantee cover has been extended to landless agricultural labourers by including them in the category of farmers and agriculturists.

With a view to providing adequate guarantee support for advances to approved fair price shops, consumer cooperative stores and superbazars which are now handling wider range of commodities of mass consumption, with a consequent rise in the volume of their business, the limit of Rs 2 lakhs for their annual sales turnover has been raised to Rs 4 lakhs and the ceiling for the corporation's liability enhanced from Rs 25,000 to Rs 50,000. As a measure towards relieving the pressure of work on credit institutions, the periodicity of statements of guaranteed accounts and payment of guarantee fee on the basis thereof has been changed from once a quarter to once every half year.

Scope Enlarged

With the enlargement of the scope and benefits of guarantee cover as noted above, the total credit facilities covered by the three schemes of the corporation as on the last Friday of June 1976 were substantially higher at Rs 989 crores, against Rs 645 crores a year before and Rs 475 crores two years before. The increase has been mainly in loans guaranteed under the small loans guarantee scheme which have risen from Rs 642 crores in June 1975 to Rs 985 crores in June 1976 of which over 65 per cent represent credit facilities to farmers and agriculturists.

The total income earned by the corporation in 1976 was Rs 580.91 lakhs (against Rs 378.12 lakhs in 1975), guarantee fees accounting for Rs 491.01 lakhs, interest on investments for Rs 77.89 lakhs and other receipts for Rs 12.01 lakhs. After meeting claims of Rs 52.24 lakhs and establishment and other expenses totalling Rs 11.56 lakhs, the year's working resulted in a net surplus of Rs 517.11 lakhs, as against Rs 364.19 lakhs in the previous year. Barring a small sum of Rs 8 lakhs transferred to the investment reserve, the entire balance of Rs 509.11 lakhs has been transferred to the reserve for unexpired guarantee risks, being built up to meet future claims. The balance to the credit of this reserve as at the end of December 1976 amounted to Rs 13.82 crores, constituting 1.4 per cent of the total guaranteed advances.

Thai Travel Agents' Convention

The Thai Travel Agents Association held its annual convention in Srinagar recently. This was first time that the Thai Travel Agents decided to hold their convention outside Thailand. More than 100 travel agents participated in this convention which was promoted by the union department of Tourism to provide an exposure of India's tourist attractions to leaders of Thailand travel trade. Besides Srinagar, the Thai travel agents also visited Agra and Delhi. This country received about 6,000 Thai tourists during 1976, registering an increase of 43 per cent over the previous year's arrivals.

Names in the News

Dr B.P. Pal, former director-general of Indian Council of Agricultural Research and former president of the Indian National Science Academy, has been appointed chairman of the National Committee on Environmental Planning and Co-ordination. Dr Pal takes the place of Mr Sankar Ghose, minister of state for Planning in the erstwhile government, who has relinquished the post.

SYNDICATE BANK
Record of Progress 1976

	1975	1976	Growth
	(Amount in Crores of Rupees)		(in Percentage)
TOTAL WORKING FUNDS	633.80	809.24	27.7
TOTAL DEPOSITS	536.60	690.82	28.7
TOTAL ADVANCES	381.09	500.63	31.4
Advances to Priority Sectors	170.11	222.82	31.0
Total Reserves	3.61	4.50	24.6
Net Profit	1.55	1.83	18.1
Total Income	54.26	69.08	27.3
Total No. of Branches*	778	851*	
Total No. of accounts (in Lakhs) (Both Deposits and Advances)	52.64	66.47	
No. of Personnel	15086	16802	

*Break-up of Branches:

RURAL	334
SEMI-URBAN	215
URBAN	128
METROPOLITAN	173
OVERSEAS	1

	1975	1976
Regional Rural Banks sponsored by us	1 No. of branches 2	4 No. of branches 55

STATEMENT OF POSITION AS AT 31st December 1976

(Amount correct to a Rupee)

CAPITAL & LIABILITIES		Rs.
Paid up Capital (Wholly owned by the Central Govt.)		1,41,97,104
Reserve Fund	4,15,00,000	
Other Reserves	35,00,000	4,50,00,000
Deposits and other accounts		690,82,24,252
Borrowings from Banks etc.,		58,16,35,748
Bills Payable		7,40,03,985
Bills for collection		40,77,78,177
Other liabilities		46,69,97,908
Acceptances for Customers		42,32,77,505
Profit and Loss:		
Net Profit	1,82,86,178	
Less: Amounts transferred to:		
Reserve Fund	85,75,000	
Other Reserves	3,25,000	
Contingencies	70,00,000	
	1,59,00,000	
Balance to be transferred to the Central Government.		23,86,178
TOTAL		892,35,00,857

PROPERTY AND ASSETS	Rs.
Cash in hand and balances with other Banks.	65,71,33,561
Money at Call and Short Notice	76,00,000
Investments in Govt. other Trustee Secruities, Debentures, Shares etc.	202,81,88,445
Advances—including Bills Discounted and Purchased	500,62,85,665
Bills receivable being bills for collection	40,77,78,177
Constituents' Liabilities for acceptances etc.	42,32,77,505
Premises etc, Less Depreciation	1,93,54,614
Furniture-Fixtures, Vehicles etc., Less: Depreciation	4,05,58,718
Other Assets	33,25,46,224
Non Banking Assets Less Depreciation	7,77,948
TOTAL	892,35,00,857

MANIPAL
29th April 1977

K. K. PAI
Chairman and Managing Director.

SYNDICATE BANK

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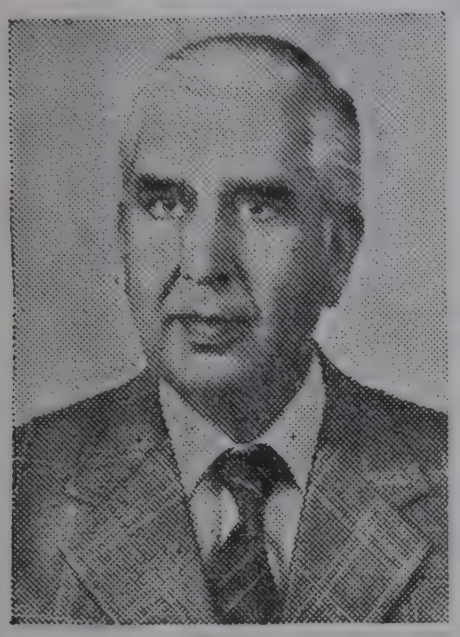
Dunlop India Chairman reviews the Company's progress in 1976

Urgent steps necessary for revival of Road Transport



Mr. M. M. Sabharwal

The following are extracts from the speech delivered by Mr. M. M. Sabharwal, Chairman, at the 51st Annual General Meeting of Dunlop India Limited, held on May 20, 1977, at Calcutta:

The change from a shortage to surplus supply position in the tyre industry in 1975 intensified further in 1976, due to lack of revival in demand and the establishment of additional manufacturing capacity. The industry as a whole, produced nearly 11% less truck tyres in 1976 compared with 1975.

The nylon truck tyres manufactured by your Company continued to enjoy the highest preference of truck operators... Sales of other categories of tyres except rayon truck tyres were satisfactory. Nevertheless, in the context of the overall surplus supply position of truck tyres, some cut-back in truck tyre production became inevitable.

Sales of our Industrial Products improved in 1976 due to higher production which was possible by the use of resources released by lower truck tyre capacity utilisation. The higher sales alleviated shortages in these essential products and, particularly for conveyor belting, delivery periods were shortened. The need for the import of conveyor belting no longer exists.

Dunlop exports up by 23%

Our exports achieved a new record of Rs. 8.61 crores, an increase of 23% over the previous year. Our export performance was duly recognised by the Chemicals & Allied Products Export Promotion Council and we were given the Capexil Award for the best tyre exports in 1975-76.

Exports have become an important and substantial part of the total Company activity. The quality of our products and the service we render to our export customers are being increasingly recognised in all the export territories. In our export endeavour we receive constant and unfailing support of the Dunlop Group Organisation. But for them, such a high volume of exports would not be possible.

Simplification of export procedures can save costs

The Tyre Industry in India has developed the manufacturing and marketing skills to become a substantial supplier to international markets. However, if there is to be a continuing success in the export endeavour, more effective Government assistance is required in simplification of export procedures. The cumbersome procedures for recovery of duties and other tax levies applicable to domestic production need revision, so that large unproductive capital tie-up is avoided. Furthermore, simplification of documentation for export is called for, as indeed has been done by some advanced countries. The Indian Institute of Foreign Trade is making an attempt in this direction, and I hope that their efforts will lead to the simplification and standardisation of export documentation. This could lead to cost savings up to 5% in the import and export trade...

Major investment programme for Sahaganj factory

Your Company has embarked on a major investment programme at Sahaganj to ensure that it remains viable and is able to produce quality products for domestic and export markets. It is hoped that Government approval will be forthcoming shortly for the existing letters of intent to be converted into industrial licences to enable us to expand the truck tyre and industrial products activities in Sahaganj. The truck tyre capacity is also being expanded in Ambattur...

Research & Development

Research and development activities, co-ordinated by an integrated R & D unit at Sahaganj, continued to provide innovative thrusts for existing and new products. This was backed by the massive R & D effort of the world-wide Dunlop Group.

Technical knowledge in the Dunlop Group outside India continues to be made freely available but it is expected that, in accordance with Government policy, payment can be made for the purchase of specific "know-how" required by Dunlop India. The payment involved would be insignificant in comparison with the value of knowledge to be received by us.

Present scheme of excise concession should be reviewed

I would like to make an observation on the excise duty relief given by Government in 1976 in respect of increase in production over a base year.

It has been suggested that this relief is to encourage higher production as also to provide relief to the new industrial units whose capital expenditure is high. While relief in Government taxation is most welcome, the relief in this form creates certain distortions in the market place. In an environment which has changed drastically in a very short span of time from a position of acute shortages to a position of substantial surpluses, it is hardly possible to maintain production at previous levels let alone increase output. Increasing of output in today's environment will only lead to unproductive higher inventories which will not provide any real solution to the problem of demand recession.

Unless, therefore, there is demand, additional output cannot be sustained. This apart, the excise duty on different products is not uniform. Indeed on some products there is no excise duty at all. Therefore 25% relief varies in quantum from product to product. Where excise duty is high, the benefit is large, and where excise duty is low or nil, there is little or no advantage. In an item like truck tyres, excise duty is high (55%), and the new manufacturers tend to produce more to obtain the excise relief and pass on the benefit to the customer and are therefore able to dislodge some of the older units who had been producing to capacity. The scope for older units to increase production is limited and they suffer in the market place against unfair price competition from the new manufacturers. This scheme of excise concession which appears discriminatory needs to be reviewed.

If it is the intention of Government to provide relief to the new units on account of higher capital expenditure, then this relief should be uniform for every industry and should be in the form of investment allowance which has no linkage either to production or excise duty. This would also take care of investments for renovation and modernisation of plant and equipment.

Company's overall performance satisfactory

The total income of your Company during 1976 was Rs. 174.81 crores in comparison with Rs. 167.44 crores in 1975.

The pre-tax profits in 1976 were slightly lower than in 1975 due to reduction in selling prices, but the overall performance can be considered satisfactory. However, there was pressure on Company's funds because of high debtors position which was inevitable in a highly competitive market.

Automotive Tyre Industry in the grip of a serious recession

There has been a considerable fall in the off-take of tyres and the present capacity utilisation of the industry is around 60%. The Automotive Tyre Industry in the country is in the grip of a serious recession, and unless there is some demand revival, the future of this industry has to be viewed with apprehension.

The prospects of the Automotive Tyre Industry are closely inter-linked with the road transport industry as a whole. Only when road transport activity picks up momentum, demand for derived items like tyres can be expected to increase. I would like to make a few observations with regard to the road transport industry.

Road Transport Industry—backbone of our national economy

The country's road transport system deserves priority in

erms of both immediate revival and accelerated development because it is a key element in the infra-structure necessary for intensive national development. A well developed road transport system can make a major contribution in ensuring efficient distribution of agricultural and industrial outputs. Helping as it does to bring the remote villager into the mainstream of national economic activity, it is the most important ingredient in the creation of a truly National Market in the Indian context. If road transport does not advance with other key sectors to provide the facilities, restraints on growth could occur. The road transport industry is thus vital and basic to the overall progress and prosperity of the nation. It has been rightly described as the backbone of our national economy.

The road transport industry is a powerful instrument of income growth as well as fruitful source of new employment. Probably there is no range of industries and related services more effective in both these respects.

Road transport is a vast conglomeration of small scale industries providing employment opportunities for millions of people of small means. It consists of small entrepreneurs from vehicle owner, driver and mechanic to vehicle service shops to restaurants and welfare facilities throughout the length and breadth of the country.

At the other end of the scale, a number of industries affording employment to hundreds of thousands of people provide the industrial background for road transport: industries ranging from large vehicle manufacturers to small scale ancillary suppliers who, in turn, are again linked to large industries in textiles, chemicals, iron, steel, etc. Thousands of rubber growers in India who sell 60% of their produce to the tyre industry are in the throes of a crisis as a direct result of the recession in the road transport industry. Besides, there is an extensive trading network of small entrepreneurs providing spare parts and other services.

Livelihood of 30 million people

The road transport industry has the potential for providing greater employment per unit of investment than any other industry. It is estimated that it currently provides, directly and indirectly, for the livelihood of about 30 million people. According to an NCAER Study, every crore of rupees spent on road development generates 15,000 jobs. In a well conceived market development and transport plan in rural areas, the employment figure could rise to 30,000.

5 lakh new commercial vehicles can generate 7.5 million jobs

Commercial vehicles need repairs and casual labour for loading and unloading. Including all servicing and sales operation of spares and filling stations, on an average 15 jobs can be estimated for each 10-tonne lorry. Thus, the addition of 500,000 commercial vehicles in a decade could generate something like 7.5 million new jobs.

However, new employment cannot be created without increased spending on road transport development. Unfortunately, public outlay on road development has been consistently reduced from 8.6% in the First Plan to 6.7% in the Second, 6.5% in the Third, 5.5% in the Fourth, and 4.7% in the Fifth.

There is every need to expand the existing road network and improve existing surfaced and unsurfaced roads. The Keskar Committee in 1967 estimated that the poor condition of our roads caused a national loss of Rs. 150 crores every year because of increase in cost of production. Today, this would be much larger, perhaps twice or thrice as much.

In this context it needs to be remembered that the Road Transport Industry is a major source of Government revenue. In 1974 it contributed Rs. 1100 crores to State and Central exchequers i.e. over 14% of all tax revenue. This is expected to go up considerably at the end of the Fifth Plan. There is potential for substantial increase in this revenue if selective measures are taken to revitalise road transport.

Roads are self-generating assets. It has been the experience of all countries that more money invested in roads provide more wherewithal to finance development of remaining sectors of the economy.

Decline in road transport activity a cause for concern

The significant decline in the road transport activity in the country is indeed a cause for concern as it has far reaching implications. This slow down has been largely due to the steep increase in the oil prices which pushed up operating costs astronomically and brought about a structural change in demand. Furthermore, as the Keskar Committee reported some years ago, the ever increasing "tax element in the cost of operation has become a definite disincentive to the healthy development of road transport". According to a recent estimate the tax element in the haulage of a tonne-km of goods by road is 6.1 paise which is even higher than the total average cost of carriage of goods by rail at 5.89 paise per tonne in 1973-74. Government needs to give careful consideration to the removal of these anomalies.

Your Company and a number of other organisations connected with the road transport industry have made representations on these lines from time to time urging steps necessary to revive the road transport industry to enable it to play its vital role in the national economy.

Here I would like to enumerate some of the measures that can be considered.

Reduce excise duty on HSD

1. The high cost of High Speed Diesel is the dominant inhibiting factor in the viable operation of a truck. The first step in the push for revival of road transport should be a reduction in excise duty on High Speed Diesel from 67% to 33% of ex-factory price. There should also be a reduction of duty on tyres/tubes from the present 55% to about 30%, and similarly on other ancillary products.

Out of a present yield of Rs. 1400 crores from road transport, the relief to the extent of 20% would, in my opinion, yield returns both to the exchequer and to the country which are more than proportionate to the major loss of revenue encountered.

Multiple taxation in inter-State traffic

2. Multiple taxation on inter-State traffic should be eliminated through (a) 30-day tax exemption for all transport vehicles entering a State and (b) creation of a fund from a share of 2 paise per litre of the excise duty on diesel fuel which can be used for compensating the States for the loss in withdrawal of overlapping levies.

Some short-term measures

3. In the short term, there should be:

i) **removal of impediments such as octroi**, multiple checkposts, strengthening of bridges and culverts, widening and improvement of road surfaces;

ii) **increase in the number of inter-State permits** so that road carriers are free to go anywhere and haul goods without restrictions;

iii) **encouragement of traileri-sation** to haul much more load for the same motive power input, through exemption from permits and taxes;

iv) **favourable credit terms for purchase of vehicles** to effectively deal with the present crisis in the Automotive Industry.

Expand and improve the road network

In the long term, there should be:

i) substantial increase in allocation of funds for road development to expand and improve the country's road network;

ii) manufacture of heavier vehicles and truck trailer combinations to achieve economies of scale.

Today, when a new Government has taken over, the time is opportune for an objective reappraisal of the situation so that a totally new approach to the development of the industry can be taken.

Prospects for the future

With our wide range of products and continuing efforts to improve quality and performance, together with effective marketing policies, we expect to hold our own in the somewhat depressed Tyre Industry. Meanwhile, the Company is giving increasing importance to Industrial Products which serve the needs of some of the key sectors of the economy. Increased outputs have largely solved the problem of shortages of these essential products, and the extension of the range of these products to higher levels of technology is receiving attention.

In accordance with the Amplified FERA Guidelines, the non-resident shareholding in your Company, is being scaled down to a level not exceeding 51%. In this connection, may I add that right from the inception of your Company in 1926, it has been the policy to associate shareholders from this country. From 1926 to 1956 the Indian shareholding was increased to nearly 49%, without any pressure from Government.

Today, financial institutions of the Government hold over 30% of your Company's shares, which is a measure of Government's confidence in your Company.

1977 will be another difficult year, but the plans of the Company together with the hope that Government will take a more realistic view on the road transport industry, enable me to look to the future with confidence.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

DUNLOP INDIA LIMITED

Ashok Leyland Limited

Ennore, Madras-600 057

Speech delivered by Mr. S. Ranganathan, Chairman, Ashok Leyland Limited, to the shareholders at the 28th Annual General Meeting of the Company, held on 23rd May, 1977, at Ennore, Madras-600 057.

Friends:

I have great pleasure in welcoming you to the 28th Annual General Meeting of your Company.

The Directors' Report and Audited Accounts for the 15 months period ended 31st December, 1976 have been in your hands for some time now and with your permission I shall take them as read.

General Economic Conditions:

The period under review has been a difficult one for the economy of our country. One has, however, to admit that, whatever might have been the consequences in other spheres, welcome or unwelcome, the declaration of emergency by the Government of India did help though under pressure over various facets the industrial sector in various ways and was also helpful in combating inflation. But, the success in containing inflation introduced some recessionist tendencies and slackness in trade from which the automobile industry also could not escape. A sense of fear introduced by the emergency measures over-shadowed almost every activity in the country and also impaired investment and enterprise which reduced the benefits which would otherwise have helped further economic growth. The changes brought about by the recent elections have, no doubt, relieved this under-current of fear, but it has at the same time allowed a measure of lack of discipline to erupt. We can only hope that this is only a passing phase resulting from the sudden release from fear and the various other pressures, not an unnatural reaction to the new found freedom. It is my earnest hope that the various interests will soon settle down and develop a sensible and stable outlook.

India is a vast sub-continent and more than production, distribution is the main bottleneck in this country. There is, I think, more appreciation than before of the vital role played by the Transport Industry in modern economy and I am hopeful that everything possible will be done by the Governments concerned for the automobile industry to enable it to produce more vehicles, especially Trucks and Buses for transportation of men and material.

Operating Results:

The Power-cut has come to stay as an annual feature in this part of the country. We are gratified to know that the Government is already taking steps to have a fresh look at the power situation in the country to chalk out a programme of action for tiding over the shortages in generation and distribution. Despite the economic problems in general and particularly the problem of obtaining power, your Company has had another very satisfactory period from production, sales and profits point of view. Credit for this should be given to the management, for the improvements it effected in the economy of our operations, both in purchases and in production and to the workers who cooperated.

In order to be compatible with the accounting year of British Leyland, our collaborator and major shareholder, your Company's accounting year from October to September was changed to the calendar year, i.e., January/December and the period under review therefore covers 15 months duration ended 31st December 1976. Hereafter it will be 12 months from 1st January to 31st December inclusive, each year. This point has to be borne in mind when we draw comparisons between the period now under review and the previous year.

A total of 11,031 vehicles were sold during the 15 month period as against 7,765 during the earlier 12 month period. Sales of engines and spare parts also showed an increase. The overall sales of all our products for 15 months amounted to a 45% increase over the previous 12 months. Our products continue to give consumer satisfaction and there is no reason to believe that we will be prevented from achieving comparable results during the current year also. The number of vehicles produced from 1st January to the end of April, 1977 compares favourably with the figures for the same period last year. So do the figures of the value of engines sold. But a disturbing feature has been an all-round increase in prices which do not yet show any sign of decline. There is a limit to our capacity for absorbing the rising prices of raw materials, components and ancillary parts and there may come a time when it will no longer be possible to hold the price of our products without allowing profits to be seriously eroded.

Dividend:

You will be happy to know that consistent with the results of the year which consisted of 15 months duration, your Directors have decided to recommend a dividend of 90 paise per Equity Share, that is 18%, subject to deduction of tax for the period. As already announced, the Bonus Share Issue recently made is also eligible for this dividend.

Expansion:

The expansion programme has to be completed before December 1978 and every effort is being made to complete the programme by that date. Applications have been made to the financial institutions for the necessary financial assistance for the expansion project and I am glad to inform you that in response, the Company has received letters of intent from them conveying their willingness to provide the necessary loans. Steps are already afoot to negotiate and finalise the terms and conditions in detail.

Exports:

As you all know, the comfortable foreign exchange reserves position which continues to be strong has considerably enhanced our country's prestige in the foreign markets. You will be glad that your Company in its own way has contributed to this by registering a record export earning of Rs 1,138 lakhs, doubling the previous year's performance. Your Company continues to explore new fields and penetrate into new markets and I must record the very considerable help we have received in the export field from British Ley-

and who continue to be of ssistance to us in this regard.

Research and Development:

The technical agreement of collaboration between your Company and British Leyland which started on 5th December 1955 terminated after its stipulated duration of 20 years of mutual advantage and benefit. During this period, your Company has grown from strength to strength and has been successful in making its products in quality and design comparable with those manufactured by British Leyland which are of international repute. The time has now come for the Company to be as nearly self-sufficient as possible in its Research and Development activities. I am happy to say that your Company's Research and Development personnel are not lagging behind in any way in accepting this responsibility. Bearing in mind the specific requirements of customers at home and abroad, your Company proposes to introduce new models of vehicles in the near future. You will all be happy to know that I have the assurance of Mr. David Andrews, the Managing Director of British Layland International that the lapsing of the collaboration agreement need not reduce the range and scope of cooperation between Ashok Leyland and British Leyland. Our thanks are due to British Leyland for this generous gesture. They have also indicated their willingness to consider from time to time the rendering of specific items of technical help that may be required, on terms to be agreed upon, a proposition that has found favour with the Government of India also.

Management:

You will all I am sure share my deep regret at the passing away of Sir A. Ramaswami Mudaliar. As Chairman of the Board of Directors of Ashok Leyland for many years and later, after I took over as Chairman, as a member of the Board, his contribution to the Company's progress was invaluable, especially in the formative stages. Sir Ramaswami Mudaliar was a man of many parts and a great son of India. The industry in this country owes a lot to his vision, sagacity and administrative ability. On your behalf and on behalf of the management and employees of the Company, I would like to place on record our deep appreciation and gratitude for all that Sir Ramaswami Mudaliar did for our Nation, the industry in general and our Company in particular.

I have also to share with you another sad news. The Board lost a valuable member in the demise of Sri N. Sundaresan during the period under review. With his rich experience and valuable background in financial matters, he was an asset to us in our deliberations. I wish to place on record our sincere appreciation of his services and convey our heartfelt condolences to his bereaved family.

Mr. R.J. Hancock, resigned his Directorship from the Board and I wish to place on record our appreciation of his services to Ashok Leyland.

In the casual vacancy created by the passing away of Sir A. Ramaswami Mudaliar, Mr. Alex Park, the Chief Executive of British Leyland was appointed to your Board.

Dr. Pheroze B. Medhora, a nominee of the Industrial Credit and Investment Corporation of India Limited resigned his Directorship as he had to go abroad on an assignment and Mr. S. Kumarasundaram, General Manager of the Corporation was appointed as Director as a nominee of the Industrial Credit and Investment Corporation of India Limited, in the place of Dr. Medhora.

We have got the Government's approval for Mr. F. Holdsworth continuing in office as Managing Director till 31st March, 1978 and I look forward to the valuable contribution he will continue to make in the development of the Company. Mr. Holdsworth, incidentally, will be the last of the expatriates to be nominated by British Leyland as the Managing Director of the Company and he will be succeeded by an Indian national to occupy his post. This will be in compliance of the undertaking which British Leyland gave to the Government of India, most willingly and without any reserve, a gesture which this Company as an Indian Company should appreciate.

Acknowledgements:

I am grateful to British Leyland for their progressive outlook in dealing with the affairs of this Company, their continued help and guidance in its growth and development.

I would like to take this opportunity to convey our sincere thanks to the Central and State Governments for their encouragement and support and also to the financial institutions and our bankers for the support they have given us in our day to day operations.

The dedicated work and loyalty of all employees and the able administration of our management team, which have produced the results during this period, deserve all our appreciation and thanks.

I shall be failing in my duty if I do not express my gratitude due to all our dealers, and suppliers of materials for their support.

In conclusion, on behalf of the Board of Directors and myself, I would like to convey our sincere thanks to you, the shareholders of the Company for the continued support and confidence you have placed in us.

Note: This does not purport to be a record of the proceedings of the Annual General Meeting.

Department of Atomic Energy

On behalf of the President of India, the Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay, invites tenders as detailed below :

1. DPS/PPED/IEE/55 Due on 27-6-77. Thermocouple Simulator/ Calibrator with accessories—One no.
2. DPS/PPEE/IEE/56 Due on 27-6-77. Thermocouple Ice Point Reference, Automatic Type (Suitable for bench mounting). One no.
3. DPS/BARC/IEE/1088 Due on 28-6-77. Research Metallograph. One no.
4. DPS/BARC/IEE/1092 Due on 28-6-77. Cryogenic System for Electron Paramagnetic Resonance. One no.
5. DPS/BARC/IEE/1096 Due on 29-6-77. Dilatometer for glass specimen. One No.
6. DPS/BARC/IEE/1097. Due on 29-6-77. Microtome with one set of knives. One No.
7. DPS/BARC/IEE/1094 Due on 29-6-77. Thermal Conductivity instrument for glasses. One no.
8. DPS/BARC/IEE/1098. Due on 30-6-77. Membrance osmometer for number average molecular weight estimation. One no.
9. DPS/BARC/IEE/1089. Due on 30-6-77, Quadropole massfilter with Probe Power supply etc. and accessories.
10. DPS/BARC/IEE/1101 due on 30-6-77. Continuous solids discharge solid—bowl centrifuge. One number.
11. DPS/BARC/IEE/1102 due on 30-6-77. Data Logger to accept 100 analog DC Signals from various sensors.

Tenders documents priced Rs 10/- each for items at S. No. 2,4,5,6,7,8 and 9, Rs 20/- each for items at S. No. 1 and 11 and Rs 25/- for item at S. No 10 and Rs, 50/- for item at S. No. 3. and General conditions of contracts priced Rs 0.50 p can be had from the Finance and Accounts, Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay-400 001 between 10 a.m. to 1 p.m. on all working days except on Saturdays. Import Licence will be provided only if the items are not available indigenously. Tenders will be received up to 3 p.m. on the due date shown above and will be opened at 4 p.m. on the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

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COMPANY AFFAIRS

Punjab National Bank

PUNJAB NATIONAL Bank has reported phenomenal progress in all spheres of its operations, deposits, advances, income, profits as well as expansion in branches recording significant improvements over 1975. Deposits recorded a sharp rise from Rs 959.6 crores to 1171.9 crores, registering an increase of 22.1 per cent as compared to 16.1 per cent in the preceding year. Loans and advances too went up appreciably from Rs 611.6 crores to Rs 823.5 crores i.e. by 34.6 per cent as compared to 27.2 per cent in 1975.

The year witnessed bank's significant role towards public sector and priority sector credit, which in the aggregate amounted to Rs 153 crores during the year.

Village Scheme

The scheme of adoption of villages received significant fillip during the year. The bank adopted 854 more villages making a total of 2,348 villages adopted by the year end.

Gross income rose by Rs 22.7 crores to Rs 108.1 crores while expenditure too recorded almost an equal rise by Rs 22.5 crores to Rs 104.7 crores. The sizeable increase in expenditure was almost wholly accounted for by higher interest payment to depositors.

The net profit after making the usual and necessary provisions amounted to Rs 340 lakhs as compared to Rs 316 lakhs in 1975. The allocation to reserves has been raised substantially to Rs 178 lakhs from Rs 95 lakhs in 1975. A sum of Rs 72.4 lakhs has been transferred to central government as against Rs 67.5 lakhs in 1975. This gives a return of over seven per cent on the amount of compensation paid by the government at the time of nationalisation.

The bank sponsored three regional rural banks during the year, at Sikar in Rajasthan, Gaya in Bihar and Mandi in Himachal Pradesh. With these, the total number of regional rural banks sponsored by PNB comes to five.

During 1976, PNB opened 102 branches of which 66 were located in rural and semi-urban areas. The highlight of the branch expansion programme was the opening of a branch in Londbn—bank's first office outside the country. The total number of branches by the year end stood at 1,304.

The bank continued its emphasis on better customer service, purposeful deposit schemes, improved credit discipline ands treamlined procedures in its onward march.

Dunlop India

While addressing the annual general meeting of Dunlop India Limited held recently at Calcutta, Mr M.M. Sabharwal, chairman, said that the automotive tyre industry is in the grip of a serious recession, and unless there is some demand revival, the future of this industry has to be viewed with apprehension. The industry as a whole produced nearly 11 per cent less truck tyres in 1976 as compared with 1975. There has been a considerable fall in the off-take of tyres and the present capacity utilisation of the industry is around 60 per cent.

Referring to Dunlop India, Mr Sabharwal said that although the pre-tax profits in 1976 were slightly lower than in 1975, the overall performance could be considered satisfactory. The nylon truck tyres manufactured by Dunlop India continued to enjoy the highest preference of truck operators. With higher Dunlop production of industrial products, the need for the import conveyor belting no longer exists.

Role of Road Transport

Describing the road transport industry as the backbone of the economy, Mr Sabharwal stressed the need for its immediate revival and accelerated development. It is estimated that the road transport industry currently provides directly and indirectly for the livelihood of about 30 million people. Referring to the employment potential of the road transport industry, Mr Sabharwal said that on an average 15 jobs could be estimated for each 10-tonne lorry. Thus, the addition of 500,000 commercial vehicles in a decade could generate something like 7.5 million new jobs, he said.

Mr Sabharwal pointed out that the Keskar committee reported some years ago, the ever increasing "tax element in the cost of operation has become a definite disincentive to the healthy development of road transport." Mr Sabharwal added that according to a recent estimate, the tax element in the haulage of a tonne-km of goods by road is 6.1 paise which is even higher than the total average cost of carriage of goods by rail at 5.89 paise per tonne in 1973-74.

For the urgent revival of the road transport industry, Mr Sabharwal suggested a reduction in excise duty on high speed diesel from 67 per cent to 33 per cent and a reduction of duty on tyres from the present 55 per cent to about 30 per cent. He also made a strong plea for the elimination of multiple taxation on inter-state traffic, removal of impediments such as octroi and increase in the number of inter-state permits so that road carriers are free to go anywhere and haul goods without restrictions. He also suggested encouragement of trailerisation to haul more load and favourable credit terms for the purchase of vehicles to effectively deal with the present crisis in the automotive industry.

During 1976, Dunlop India achieved a new export record of Rs 8.61 crores, an increase of 23 per cent over the previous year. Suggesting simplification of export procedures, Mr Sabharwal estimated that this could lead to cost savings upto five per cent in the import and export trade.

Excise Relief

On the subject of excise duty relief given by the government in 1976 in respect of increase in production over a base year, Mr Sabharwal is of the opinion that the relief in this form creates certain distortions in the market place. This scheme of excise concession appears discriminatory and should be reviewed.

Dunlop has embarked on a major investment programme at the Sahaganj factory to ensure that it remains viable and is able to produce quality products for domestic and

export markets. The truck tyre capacity at Ambattur is also being expanded.

Gujarat State Fertilizers

While addressing the annual general meeting of Gujarat State Fertilizers Company Ltd, the chairman, Mr Jaykrishna Harivallabhdas, called upon industrialists, industrial workers and agriculturists to make a determined effort to raise production and productivity for obtaining optimum utilisation of available capacity in the industrial and agricultural sectors. He emphasized the need for creating a better investment climate and reviewing the present banking policies for easier availability of funds for increased production. He also advocated effective measures to curb inflation and hoped that the government's recent pronouncements indicated its awareness about the current economic situation in the country.

Bright Prospects

While advocating self-reliance in technological matters, Mr Harivallabhdas emphasized the need for import of technology in sophisticated and advanced fields. Ample technical manpower available in our country brightened the prospects for export of Indian technology, he added.

Expressing satisfaction over the performance of the company for the year 1976, Mr Harivallabhdas said that the net profit earned for the year was Rs 11.64 crores after providing for depreciation and investment allowance reserve. As a result, the company had announced a dividend of Rs 22 on equity shares which represented an increase of Rs 2 over the dividend of Rs 15 per equity share for the year 1975 (nine month period). Mr Harivallabhdas drew the attention of the shareholders to the systematic and continuing programme of renovation and modernisation undertaken by the company and mentioned that although such major replacements involved increasing allocation of funds and inevitable interruptions in plant operations, the company was not only able to maintain fertilizer production during 1976 but also marginally improved upon its previous year's performance. He also revealed that the caprolactum plant was stabilised as was evident from its satisfactory production in 1976.

Mr Harivallabhdas disclosed that as part of its pollution abatement and research programme, the company was exploring the possibility of recovering useful products from the wastes from its plants. He also referred to the company's new projects such as the nylon-6 plant, debottlenecking of phosphoric acid plant, purge gas recovery project and the melamine project which were under various stages of progress. He said that the progress of the Rs 270-crore Narmada Valley Fertilizers project was satisfactory. He expected that the arrangements for financing the project would soon be finalised to enable the company to meet its commitments.

Tata Chemicals

The soda ash expansion project and other development schemes relating to the power and steam generating systems at Mithapur of Tata Chemicals Ltd are nearing completion and the directors consider it desirable to diversify the activities of the company into areas other than those in which the company is presently engaged. After taking into account all relevant factors, the directors consider that it would be in the long-term interest of the company to enter the shipping industry by acquiring ships and employing them in the conveyance of cargo and passengers.

Appropriate Time

The shipping industry had been experiencing very favourable conditions till about two years ago and although, since then, business in this line has been somewhat depressed, it is believed that the long-term prospects are encouraging, particularly for Indian shipping in view of the high priority given by the government to its development and growth. The directors consider that this is an appropriate time to enter the shipping industry in view of the relatively low prices at which good second-hand ships are available and the reasonable prospect that freight rates should begin to show an upward trend in the future. While, in the present circumstances, it is possible that the shipping business of the company may have to sustain some operating losses in the initial year or two the company will be able to absorb these without difficulty and without affecting its ability to maintain its present rate of dividends. Indeed, such initial losses would have been inevitable even if the company had undertaken any other new large project of diversification. Moreover, unlike large industrial projects, the present proposal offers the great advantage that it can be implemented immediately. The directors are of the view that the company is well placed for taking up this shipping project.

To start with, the company proposes to purchase outright one second-hand multipurpose cargo ship of 21,548 DWT from The Great Eastern Shipping Company Limited. Another identical ship will be taken on a Bareboat Charter arrangement for eleven months from the same company with an option to purchase the ship at the end of the charter period. These ships are about eight years old and are well-equipped versatile cargo ships, the demand for which is relatively more stable than that for larger specialised vessels. It has been agreed with The Great Eastern Shipping Company Limited that, out of the purchase consideration for the first ship as well as that for the second ship (if the purchase option is exercised) amounting to about Rs 8.75 crores, a major part would be met through a deferred payment arrangement spread over 4 to 5 years.

Internal Resources

Thus, the implementation of the project will not involve the issue of any additional equity capital. The deferred payment instalments (including interest) will be guaranteed on behalf of the company by Tata Sons Limited, which, in turn, will be secured by means of a suitable charge on the ships. The rate of guarantee commission payable to Tata Sons Limited will be less than that payable to commercial banks for similar guarantees.

In order to give the company adequate time to build up the necessary organisation and expertise in the shipping line, it is proposed to enter into an agreement with The Great Eastern Shipping Company Limited under which they would operate these two ships on behalf of the company for a remuneration, for a period

of up to two years. This arrangement with a leading Indian shipping company with a proven record of success is considered to be in the best interest of the company.

Ahmedabad Advance Mills

Sales of Ahmedabad Advance Mills Ltd, net of excise, for 1976 amounted to Rs 1843 lakhs as compared with Rs 1662 lakhs for the previous year.

The gross profit was higher at Rs 127.59 lakhs as compared to Rs 103.68 lakhs in the preceding year. After providing for depreciation Rs 79.31 lakhs, and development rebate reserve Rs 4,00 lakhs, the balance available for appropriation, including the brought forward balance in profit and loss account of Rs 17.43 lakhs, was Rs 61.71 lakhs. Out of this, the directors have decided to transfer to general reserve Rs 3.35 lakhs and to debenture redemption reserve Rs 7.50 lakhs.

The directors have recommended a declaration of preference dividend of Rs 7.14 per share and equity dividend of Rs 16 per share, aggregating Rs 26.37 lakhs, thereby maintaining the same rate of equity dividend as previous year, on the enlarged capital.

Camphor and Allied Products

During 1976 Camphor and Allied Products Ltd, produced 923.79 tons of camphor against the previous year's production of 874.98 tons. The company has also started the commercial production of paramethane hydroperoxide. The changeover in the process of manufacture of camphor from formic acid to acetic acid has contributed sizeably in the saving in the raw materials cost and improved the profitability of the company during the year under review

Over the period of years, the company has also considerably reduced the reliance on the imported raw materials. The consumption of imported raw materials has amounted to Rs 4.68 lakhs during the year against Rs 22.51 lakhs during the previous year while the import of components, spare parts and capital goods have also come down by more than 50 per cent. It is this company's endeavour to see that the dependence on the imported materials is reduced to the bare minimum.

Bonus Shares

The company issued 45,000 fully paid-up bonus equity shares in proportion to one bonus share for the two existing equity shares and were allotted to the members of the company whose names stood on the register of the company as on February 2, 1977. These 45,000 new equity shares are ranking for dividend for 1976. The directors have recommended a dividend of Rs 15 per share on the increased share capital of 1,35,000 equity shares of Rs 100 each, subject to deduction of taxes at source.

It is gratifying to note that based on the know-how developed by the company's research centre and licensed, the manufacture of sorbitol, eugenol and isoeugenol has been started by the licensees for the first time during the current year and the products based on the said know-how has been received well in the market and the research centre has started earning a small revenue by way of royalty.

The company has signed an agreement with the Jammu & Kashmir government, for the establishment of a joint sector company for the manufacture of rosin and turpentine derivatives such as phenolic resins, ester gum, hard resins, terpene resin, etc. Under the terms of the agreement, Camphor and Allied Products will be providing the know-how to the new company to be floated in the state of Jammu & Kashmir, on the initial payment of know-how fee of Rs 2.00 lakhs and the royalty @ three per cent for the period of four years and two per cent for the next six years, subject to the ceiling of Rs 35 lakhs.

In terms of the collaboration agreement with Jammu & Kashmir Industries Ltd, Camphor and Allied Products will be required to make the investment of the 25 per cent of the estimated subscribed capital of Rs 1.50 crores of the new company.

Wheels India

Wheels India Ltd has made fine progress during the year ended December 31, 1976. The company's turnover has increased from Rs 12.12 crores in 1975 to Rs 12.55 crores in 1976. There was a slight increase in the number of wheels sold. The selling prices of the wheels however were revised downwards on account of lower priced indigenous steel which was available for part of the year. There was also reduction in the customs duty on imported rim sections.

The company is taking necessary steps for the early completion of its programme for substantial expansion of capacity to 7,50,000 commercial vehicle, passenger car, jeep and tractor wheels per annum.

The 1500-ton mechanical press ordered with Hindustan Machine Tools Ltd, has been received and is now being commissioned. This is expected to increase the company's capacity for production of heavier duty wheels.

The net profit, after providing for depreciation and taxation, was substantially higher at Rs 34.82 lakhs as compared to Rs 29.63 lakhs in 1975. After adjustment of income-tax paid for earlier years, taking credit for income-tax refund due to the company and the development rebate write backs, an amount of Rs 28.36 lakhs is available for dividends and reserves. The directors have recommended a dividend of 12 per cent for 1976. This will absorb Rs 26.32 lakhs.

News and Notes

The Queen of Denmark has conferred the prestigious Order of the Dannebrog (the name of the Danish Flag) on Mr H. Holck-Larsen, Chairman, **Larsen and Toubro Limited**. The royal order, in recognition of Mr Holck-Larsen's services in India, makes him a knight of the first degree. Recipients of the order instituted in 1671—become members of the corps of "White Knights" of Denmark.

Mr Holck-Larsen, who is also Consul-General for Denmark in Bombay, had earlier received royal recognition in 1962, and from the National Association of Danish Enterprise in 1968 for his services in promoting trade relations between India and Denmark. Last year, Mr Holck-Larsen was the recipient of the Ramon Magsaysay Award for International Understanding for his "signal contribution towards Indias technical modernisation, complementing industrialisation with human concern" Mr Holck-Larsen was the first

ustrialist in this country to eive the Magsaysay award.

The Monopolies & Restric- e Trade Practices Commis- on has initiated *suo moto* oceedings in respect of M/s **edore Tools India Ltd** of ew Delhi and its two sole ling agents Ms **Jhalani & ompany and Ms Jhalani Bro- ers** of Delhi. The company a major producer of forged ndtools in the country and has entered into a standard rm of agreement with its o sole selling agents, who in rn have entered into agree- ents with dealers/stockists r sale of handtools. The otice issued alleges that the id agreement with the sole lling agents contains certain ade practices such as ea allocation, re-sale price aintenance, restrictions on e payment of commission, xclusive dealership and restric- ons on the appointment of b-agents by the sole selling gents. The notice further leges that the agreement of e sole selling agents with ockists/agents contains prac- ces such as quantity dis- ounts, does not leave freedom the dealers/stockists to sell prices lower than the prices dicated in the price list and mposes restrictions regarding e number of stockists to be ppointed.

Malpractices

The notice also sets out the manner in which the various rade practices referred to bove render competition in- ffective or distort/restrict ompetition in various ways. or example the insistence on xclusive dealership by the anufacturer on the sole sel- ng agents restricts competi- on by fore-closing the dis- ibution outlets to other com- etitors in the trade specially large number of handtool manufacturers in the small scale sector. The notice fur- ther states that the quantity discounts also appear to be ultimately reducing the com- petition by placing small stoc- kists at a disadvantage etc.

New Issues

Tata-Finlay Limited was promoted in 1962 in technical and financial collaboration with James Finlay & Company Limited, Glasgow, UK. Until recently, the company was engaged mainly in the manu- facture, sale and export of tea— instant, blended and packeted. In 1964, the company's pack- et tea plant commenced com- mercial production and in 1965 its instant tea plant was operational.

Till 1968, the company's initial operations were adver- sely affected. However, from 1969 onwards the working of the company have improved considerably.

Reorganisation

With effect from January 1, 1976, the company reorganised its capital structure after neces- sary approval of the High Court of Bombay. Accord- ingly, Rs 137.5 lakhs (part of the loans provided by James Finaley and its associates and Tata Sons Limited, the prin- cipal promotors of the com- pany) was converted into equity capital at par. This increased the paid-up capital to Rs 275.75 lakhs but was subsequently reduced to Rs 130 lakhs to write off the company's accu- mulated book losses. With effect from January 1, 1976, the company has acquired, as going concerns, the Indian undertakings of James Finlay and its seven associated sterl- ing tea companies. These tea companies have long been managed by James Finlay which, along with McLeod Russel & Company Limited, hold their equity capital.

Tata-Finlay has acquired all the fixed assets in India of James Finlay and its associat- ed companies for a total con- sideration of Rs 11.50 crores against allotment to the ven- dors of shares of a nominal value of Rs 1.98 crores and the balance amount has been retained as unsecured loans car- rying interest at five per cent p.a. The expenditure on stamp duty, registration and other charges on the conveyances are being borne by the vendors and will be paid on their behalf by the company out of the loans. The balance of the loans are repayable in five annual instal- ments commencing from the expiry of one year from the date of allotment of shares now being offered to the public.

The company's present paid- up capital is Rs 3.4 crores, Rs 2.4 crores of which is held by James Finlay and its asso- ciate companies and the balance shares are held main- ly by the Tata Group. As on December 31, 1976, the reserv- es and surpluses amounted to Rs 3.62 crores. The company is issuing to the Indian public, additional capital of Rs 2.6 crores at par which issue will open for subscription on June 15, 1977. The full amount of Rs 10 per share is payable on application. The proceeds of the issue will be utilised to meet a part of the cost of acquisi- tion of the fixed assets in India of James Finlay and the associated companies. The entire public issue is under- written.

Dividend

(per cent)

Name of the company	Year ended	Equity dividend declared for	
		Current year	Previous year
Higher Dividend			
Peermade Tea Company	Dec. 31, 1976	20.0	Nil
A.V. Thomas (Alleppey) & Co.	Dec. 31, 1976	15.0	12.0
Bombay Oxygen	Dec. 31, 1976	15.0	12.0
Coimbatore Pioneer	Dec. 31, 1976	12.0	Nil
Modella Woollens	Dec. 31, 1076	12.0*	10.0
J. L. Morison	Dec. 31, 1976	10.0	Nil
Sandoz (India)	Dec. 31, 1976	14.0	12.0
Same Dividend			
Shree Digvijay Cement	Dec. 31, 1976	12.0	12.0
Arvind Mills	Dec. 31, 1976	18.0	18.0
Synthetics and Chemicals	Dec. 31, 1976	15.0	15.0
Reduced Dividend			
Indian Metals & Ferro Alloys	Dec. 31, 1976	22.5*	25.0

*On the enlarged capital.

Surveillance of exchange rates

The Executive Directors of the International Monetary Fund have discussed the implementation of Article IV of the proposed second amendment of the Fund's articles of agreement and have reached agreement on the principles and procedures for the guidance of members and for the exercise of Fund surveillance with regard to the exchange rate policies of members in the period after the second amendment has become effective. These principles and procedures, which are subject to reconsideration in the light of experience, are set forth in a document entitled "Surveillance over Exchange Rate Policies." The decision taken by the Executive Directors approving the document is given below:

THE EXECUTIVE Board has discussed the implementation of Article IV of the proposed second amendment of the Articles of Agreement and has approved the following document entitled "Surveillance over Exchange Rate Policies." The Fund shall act in accordance with this document when the second amendment becomes effective. In the period before that date the Fund shall continue to conduct consultations in accordance with present procedures and decisions.

Periodic Review

The Fund shall review the document entitled "Surveillance over Exchange Rate Policies" at intervals of two years and at such other times as consideration of it is placed on the agenda of the Executive Board.

General Principles: Article IV, Section 3(a) provides that "The Fund shall oversee the international monetary system in order to ensure its effective operation, and shall oversee the compliance of each member with its obligations under Section 1 of this Article." Article IV, Seciion 3(b) provides that in order to fulfil its functions under 3(a), "The Fund shall exercise firm surveillance over the exchange rate policies of members, and shall adopt specific principles for the guidance of all members with respect to those policies." Article IV, Section 3(b) also provides that "The principles adopted by the Fund shall be consistent with cooperative arrangements by which members maintain the value of their currencies in relation to the value of the currency or currencies of other members, as well as with other exchange arrangements of a member's choice consistent with the purposes of the Fund and Section 1 of the Article. These principles shall respect the domestic, social and political policies of members, and in applying these principles the Fund shall pay due regard to the circumstances of members." In addition, Article IV Section 3(b) requires that "Each member shall provide the Fund with the information necessary for such surveillance, and, when requested by the Fund, shall consult with it on the member's exchange rate policies."

Towards Stability

The principles and procedures set out below, which apply to all members whatever their exchange arrangements and whatever their balance of payments position, are adopted by the Fund in order to perform its functions under Section 3(b). They are not necessarily comprehensive and are subject for reconsideration in the light of experience. They do not deal directly with the Fund's responsibilities referred to in Section 3(a), although it is recognized that there is a close relationship between domestic and international economic policies. This relationship is emphasized in Article IV which includes the following provision: "Recognizing . . . that a principal objective (of the international monetary system) is the continuing development of the orderly underlying conditions that are necessary for financial and economic stability, each member undertakes to collaborate with the Fund and other members to assure orderly exchange arrangements and to promote a stable system of exchange rates."

Principles for the Guidance of Members' Exchange Rate Policies: (A) A member shall avoid manipulating exchange rates or the international monetary system in order to prevent effective balance of payments adjustment or to gain an unfair competitive advantage over other members.

(B) A member should intervene in the exchange market if necessary to counter disorderly conditions which may be characterized *inter alia* by disruptive short-term movements in the exchange value of its currency.

Intervention Policies

(C) Members should take into account in their intervention policies the interests of other members, including those of the countries in whose currencies they intervene.

Exchange Rate Policies

1. The surveillance of exchange rate policies shall be adapted to the needs of international adjustment as they develop. The functioning of the international adjustment process shall be kept under review by the Executive Board and Interim Committee and the assessment of the operation shall be taken into account in the implementation of the principles set forth below.

2. In its surveillance of the observance by members of the principles set forth above, the Fund shall consider the following developments as among those which might

cate the need for discussion
a member:

) protracted large-scale
rvention in one direction in
exchange market;

ii) an unsustainable level of
cial or quasi-official
rrowing, or excessive and
olonged short-term official
quasi-official lending, for
lance of payments pur-
ses;

(iii) (a) the introduction,
bstantial intensification or
olonged maintenance, for
lance of payments purposes,
restrictions on, or incentives
r, current transactions or
ayments; or

(b) the introduction or
ubstantial modification for
alance of payments purposes
f restrictions on, or incentives
or, the inflow or outflow of
apital;

(iv) the pursuit, for balance
f payments purpose, of mone-
ary and other domestic finan-
ial policies that provide
bnormal encouragement or
iscouragement to capital
lows; and

(v) behaviour of the ex-
hange rate that appears to be
nrelated to underlying econo-
nic and financial conditions
ncluding factors affecting
competitiveness and long-term
capital movements.

Reserve Position

3. The Fund's appraisal of a member's exchange rate policies shall be based on an evaluation of the developments in the member's balance of payments against the background of its reserve position and its external indebtedness. This appraisal shall be made within the framework of comprehensive analysis of the general economic situation and economic policy strategy of the member, and shall recognize that domestic as well as external policies can contribute to timely adjustment of the balance of payments. The appraisal shall take into account the extent to which the policies of the member, including its exchange rate policies, serve the objectives of the continuing development of the orderly underlying conditions that are necessary for financial stability, the promotion of sustained solid economic growth, and reasonable levels of employment.

Procedures for Surveillance:
1 Each member shall notify the Fund in appropriate detail within thirty days after the second amendment becomes effective of the exchange arrangements it intends to apply in fulfilment of its obligations under Article IV, Section 1. Each member shall also notify the Fund promptly of any changes in its exchange arrangements.

Annual Consultation

II. Members shall consult with the Fund regularly under Article IV. The consultations under Article IV shall comprehend the regular consultations under Articles VIII and XIV. In principle such consultations shall take place annually, and shall include consideration of the observance by members of the principles set forth above as well as of a member's obligations under Article IV, Section 1. Not later than three months after the termination of discussions between the member and the staff, the Executive Board shall reach conclusions and thereby complete the consultation under Article IV.

III. Broad developments in exchange rates will be reviewed periodically by the Executive Board, *inter alia* in discussions of the international adjustment process within the framework of the World Economic Outlook. The Fund will continue to conduct special consultations in preparing for these discussions.

Close Contacts

IV. The Managing Director shall maintain close contact with members in connection with their exhange arrangements and exchange policies, and will be prepared to discuss on the initiative of a member important changes that it contemplates in its exchange arrangements or its exchange rate policies.

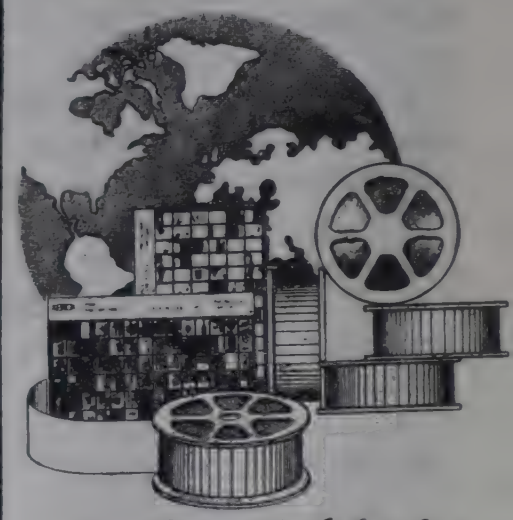
V. If, in the interval between Article IV consultations, the Managing Director, taking into account any views that may have been expressed by other members, considers that a member's exchange rate policies may not be in accord with the exchange rate principles, he shall raise the matter informally and confidentially with the member, and shall conclude promptly whether there is a question of the observance of the principles. If he concludes that there is such a question, he shall intitiate and conduct on a confidential basis a discussion with a member under Article IV, Section 3(b).

As soon as possible after the completion of such a discussion, and in any event not later than four months after its initiation, the Managing Director shall report to the Executive Board on the results of the discussion. If, however, the Managing Director is satisfied that the principles are being observed, he shall informally advise all Executive Directors, and the staff shall report on the discussion in the context of next Article IV consultation; but the Managing Director shall not place the matter on the agenda of the Executive Board unless the member requests that this procedure be followed.

VI. The Executive Directors shall review annually the general implementation of the Fund's surveillance over members' exchange rate policies.

—An IMF Survey

This Publication....



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Wholesale prices

THE OFFICIAL wholesale prices index of 'All Commodities' (base 1970-71=100) stood at 183.9 during the week ended April 23, 1977 as against 182.9 for the previous week. Compared with the earlier week, the index for the week under review showed a rise of 0.5 per cent.

Groupwise analysis of price movement is shown below:

Primary Articles

Among primary articles, the index for "Food Articles" stood at 169.6 as against 167.6 for the previous week, showing a rise of 1.1 per cent. The increase in index was due to the rise in the prices of fruits and vegetables (+6 per cent), barley, masoor, eggs and tea (+2 per cent each), moong; milk and ghee (+1 per cent each). However, the prices of fish and turmeric (—4 per cent each), wheat and arhar (—3 per cent each), maize, urad and chillies (—2 per cent each), jowar, ragi and coffee (—1 per cent each), declined.

Higher prices of mesta (+5 per cent), rubber (+3 per cent), oilseeds, tanning materials and logs and timber (+1 per cent each) raised the index for 'Non-food Articles' (which includes-industrial raw materials) by 0.5 per cent to 183.3 when compared to 182.3 for the previous week. The prices of lac (—9 per cent), raw silk and raw tobacco (—1 per cent each) recorded a fall.

The index for 'Minerals' group remained firm at its previous week's level of 442.2.

The index for this group moved up by 0.4 per cent to 233.0 when compared to 232.0 for the earlier week due to a rise in the prices of electricity (+2 per cent).

Manufactured Products

Among manufactured products, the index for the group 'Food Products' witnessed a rise of 0.4 per cent to 189.8 as against 189.0 for the previous week due to rise in prices of rice bran oil (+5 per cent) animal food (+3 per cent), khandsari, groundnut oil and cottonseed oil (+2 per cent, each) and mustard-oil and oil-cakes (+1 per cent each). However, the prices of coconut oil (—8 per cent) and kardi oil (—1 per cent each) fell.

The index for 'Beverages, Tobacco and Tobacco Products' advanced by 0.7 per cent to 167.6 as against 166.4 for the earlier week due to a rise in prices of cigarettes (+1 per cent).

Textiles

The index for 'Textiles' group registered a rise of 0.3 per cent to 166.2 as against 165.7 for the earlier week due to an increase in prices of khadi (+13 per cent) and art silk and artificial yarn (+1 per cent). The prices of jute manufactures (—1 per cent), however, receded.

The index for 'Paper & Paper Products' stood stationary at its previous week's level of 182.2.

The index for 'Leather and Leather Products' remained unchanged at its earlier week's level of 221.7.

The index for 'Rubber and Rubber Products' remained firm at its earlier week's level of 156.0.

The index for the 'Chemicals and Chemical Products' group came down by 0.1 per cent to 171.0 as against 172.0 for the previous week owing to a fall in prices of polyester fibre (—17 per cent although the prices of synthetic resins (+16 per cent), linseed oil (+6 per cent), bichromates (+4 per cent) and castor oil (+2 per cent) showed a rise.

The index for 'Non-metallic Mineral Products' showed a rise of 0.2 per cent to 190.3 as against 190.0 for the previous week due to an increase in the prices of glass sheets (+2 per cent).

Basic Metals

The index for 'Basic Metals, Alloys and and Metal Products' maintained its earlier week's level of 191.6.

The index for 'Machinery & Transport Equipment' group remained unchanged at its earlier week's level of 169.2.

The index for the "Miscellaneous Products" stood unchanged at its previous week's level of 168.9.

Index Numbers of Wholesale Prices by Major Groups, Groups & Sub-groups (Base 1970-71 = 100)

Major groups, groups & sub-groups	Weights in relation to all-commodities	Week Ended				
		23.4.77	16.4.77	26.3.77	26.2.77	24.4.76
		(Provisiona)			(Final)	
1	2	3	4	5	6	7
All Commodities	**(1000.00)**	**183.9**	**182.9**	**181.5**	**183.5**	**168.2**
I Primary Articles	**416.67**	**181.2**	**179.5**	**177.0**	**180.2**	**156.7**
A. Food Articles	**297.99**	**169.6**	**167.6**	**164.0**	**164.4**	**150.0**
Foodgrains	129.22	158.5	159.9	161.0	164.2	144.2
Cereals	107.43	156.8	158.3	150.0	161.3	145.7
Pulses	21.79	166.6	167.7	172.0	178.3	136.8
Fruits & vegetable	61.32	173.7	163.1	158.8	148.3	144.2

—Contd.

Index Numbers of Wholesale Prices by Major Groups, Groups & Subgroups—*Contd.*

1	2	3	4	5	6	7
Milk & milk products	61.50	157.1	155.2	151.9	152.4	155.8
Eggs, fish & meat	18.97	180.9	182.6	175.3	184.7	167.1
Condiments & spices	10.94	167.0	168.5	174.5	169.7	159.0
Other food articles	16.04	279.3	275.6	202.1	247.1	169.6
B. Non-food Articles	**106 21**	**183.3**	**182.3**	**183.1**	**193.7**	**141.0**
Fibres	31.73	196.9	195.9	195.0	203.4	164.2
Oilseeds	42.01	180.4	178.4	175.7	194.6	109.3
Other non-food articles	32.47	173.8	174.0	181.0	183.2	162.1
C. Minerals	**12.47**	**442.2**	**442.2**	**442.2**	**442.2**	**442.9**
Metallic minerals	2.29	177.4	177.4	177.4	177.4	172.8
Other minerals	4.16	181.5	181.5	181.5	181.5	180.8
Petroleum crude & natural gas	6.02	723.6	723.6	723.6	723.6	727.4
II Fuel, Power, Light & Lubricants	**84.59**	**233.0**	**232.0**	**232.0**	**232.1**	**229.4**
Coal mining	11.47	197.2	197.2	197.2	197.7	197.7
Mineral oils	49.12	267.6	267.6	267.6	267.6	267.2
Electricity	24.00	179.3	175.8	175.8	175.8	167.4
III Manufactured Products	**498.74**	**177.9**	**177.5**	**176.0**	**178.1**	**167.4**
A. Food Products	**133.22**	**189.8**	**189.3**	**185.3**	**194.3**	**168.8**
Dairy products	3.00	180.9	180.9	180.9	180.9	181.4
Canned & preserved fruits & vegetables	0.39	155.5	155.5	155.5	155.5	155.5
Canned & preserved fish & seafood	0.36	205.0	205.0	205.0	229.2	291.0
Grain mill products	4.64	158.5	158.5	159.8	159.8	170.4
Bakery products	1.05	159.8	159.8	159.8	159.8	168.4
Sugar, khandsari & gur	72.41	195.4	194.6	191.7	198.1	204.6
Sugar, confectionary, cocoa & chocolate	0.53	160.2	160.2	160.2	160.2	160.3
Miscellaneous food products	49.16	181.9	185.8	180.1	194.6	115.2
Edible oils	37.16	175.2	174.4	168.4	187.0	108.7
Oilcakes	9.05	240.2	237.5	231.8	234.8	129.7
Other miscellaneous products	2.95	171.5	170.7	167.9	167.3	152.7
B. Beverages, Tobacco & Tobacco Products	**27.08**	**167.6**	**166.4**	**166 4**	**166.4**	**170.0**
Wine industries	6.77	133.3	133.3	133.3	133.3	132.2
Soft drinks	0.82	224.9	224.9	224.9	244.9	224.9
Tobacco manufactured	10.49	177.2	175.4	175.4	175.4	180.9
C. Textiles	**110.26**	**166.2**	**165.7**	**164.5**	**162.4**	**145.4**
Cotton textiles	81.02	171.2	170.6	168.5	168.4	144.4
Woollen yarn & textiles	2.44	210.4	210.6	210.6	210.6	202.0
Silk, art silk & synthetic fibre textiles	12.83	159.6	158.3	157.3	156.9	155.1
Jute, hemp & mesta textiles	12.14	126.4	127.4	132.1	135.5	125.1
Textiles products n.e.s.	1.83	192.5	192.5	192.5	192.5	183.8
D. Paper & Paper Products	**0 51**	**182.2**	**182.2**	**182.2**	**182.2**	**180.4**
E. Leather & Leather Products	**3.85**	**221.7**	**221.7**	**224.2**	**221.7**	**225.8**
Tanned & cured finished leather	2.95	230.6	230.6	230.6	230.6	232.6

—*Contd.*

Index Numbers of Wholesale Prices by Major Groups, Groups and Sub-groups (*Contd'*)

1	2	3	4	5	6	7
Footwear & other leather products	0.90	192.2	192.2	203.1	192.2	203.1
F. Rubber & Rubber Products	**12.07**	**156.8**	**159.8**	**156.8**	**156.9**	**158.7**
Tyre & tubes	9.84	154.6	154.6	154.6	154.7	157.0
Other rubber products	2.23	166.3	166.3	166.3	166.3	165.9
G. Chemicals & Chemical Products	**55.40**	**171.8**	**172.0**	**171.2**	**172.4**	**169.8**
Basic industrial chemicals	7.26	190.6	190.6	190.5	190.7	191.9
Fertilisers	12.52	178.5	178.5	178.6	178.6	189.8
Insecticides	1.16	232.7	232.7	232.7	232.7	232.0
Paints & varnishes	1.92	207.4	207.4	207.4	207.4	199.6
Drugs & medicines	0.03	135.4	135.4	135.4	135.2	132.3
Cosmetics, soap & detergent	5.06	170.4	170.4	169.9	170.3	166.2
Inedible oils	1.54	186.9	177.1	161.4	194.1	98.9
Synthetic resins, rosins & plastic materials	1.30	162.3	165.8	165.6	165.4	162.6
Dyestuffs & other chemicals n.e.s.	7.09	180.7	180.5	178.0	180.3	172.6
H. Non-metallic Mineral Products	**14.15**	**190.3**	**190.0**	**189.7**	**189.7**	**191.0**
Structural clay products	1.82	209.0	209.0	200.0	209.5	207.1
Glass & glass products	1.98	191.5	189.0	190.2	189.9	217.7
Earthenware & earthen pottery	0.96	253.3	253.3	253.3	253.3	253.3
Cement, lime & plaster	7.07	174.3	174.3	173.8	173.8	172.1
Miscellaneous non-metallic mineral products	2.32	197.0	197.0	196.3	196.3	187.1
I. Basic Metals, Alloys & Metal Products	**59.74**	**191.6**	**191.6**	**190.7**	**190.7**	**188.2**
(Basic metals & alloys)	46.51	193.6	193.5	192.5	192.4	191.0
Iron & steel& ferro alloys	34.73	187.5	187.5	187.0	187.0	186.7
Non-ferrous metals & their alloys	211.78	211.6	211.5	208.9	208.5	203.6
Metal products	13.23	184.9	184.9	184.5	184.5	178.5
J. Machinery & Transport Equipment	**67.18**	**169.2**	**169.2**	**169.2**	**169.2**	**170.7**
Machinery & machine tools	50.45	169.6	169.6	169.6	169.6	171.4
Non-electrical machinery	30.91	133.8	173.8	173.8	173.8	176.8
Electrical machinery	19.54	163.0	163.0	163.0	162.0	163.0
Transport equipment	16.73	168.1	167.8	167.8	167.8	168.5
Motor vehicles & parts	13.73	173.5	173.1	173.1	173.1	174.0
Motor cycles, scooters, bicycles & parts	3.00	143.4	143.3	143.2	143.2	143.6
K. Miscellaneous Products	**7.20**	**168.9**	**168.9**	**168.3**	**169.2**	**165.2**
Wood & wood products	1.74	160.8	160.8	160.8	164.7	160.5
Other manufacturing industries n.e.s.	5.46	171.6	171.6	170.7	170.7	166.7

Source : *Office of the Economic Adviser Deptt. of Industrial Development.*

Reserve Bank of India

(Rs crores)

Week ended	1976	1977		Variations over		
	April 30	April 22	April 29	Week	Month	Year
Notes in Circulation:	6,824	8,129	8,086	—43	338	1,262
Notes Issued	6,833	8,159	8,118	—41	340	1,285
Notes held in Banking Department	8	31	32	1	2	24
Deposits:						
Central & State Governments	169	314	356	42	—532	187
Scheduled Commercial Banks	697	1,166	1,031	—135	—142	334
Scheduled State Cooperative Banks	30	38	48	10	13	18
Other Banks	3	3	4	1	1	1
Others	1,813	2,179	2,206	27	82	393
Other Liabilities	1,989	2,444	2,429	—15	222	440
Total Liabilities/Assets	11,524	14,273	14,159	—114	—19	2,635
Foreign Exchange Assets[1]	1,327	2,882	2,910	88	82	1,583
Gold Coin and Bullion	183	188	188	—	—	5
Rupee Securities[2]	6,642	7,010	6,952	—58	—131	310
Loans and Advances:						
Central & State Governments	359	591	517	—74	355	158
Scheduled Commercial Banks	835	657	614	—43	345	—221
State Cooperative Banks	289	429	425	—4	—43	136
Others	529	655	656	1	1	127
Bills Purchased and Discounted :						
Commercial	131	189	174	—15	—12	43
Treasury	396	421	411	—10	5	15
Investments[3]	31	313	313	—	245	282
Other assets	803	998	1,001	3	—173	198

Notes: 1. Foreign securities plus balances held abroad. 2. Government of India rupee securities including ad-hoc treasury bills.
3. Excluding investments in rupee securities.

Scheduled Banks—Business in India

(Rs crores)

Week ended	All Scheduled Banks			Scheduled Commercial Banks		
	1976	1977		1976	1977	
	April 30	April 22	April 29	April 30	April 22	April 29
Aggregate deposits	15,028	18,681	18,718	11,466	17,989	18,033
Demand	5,974	7,189	7,174	5,837	7,025	7,014
Time	9,054	11,491	11,544	8,629	10,964	11,019
Borrowings from Reserve Bank	1,122	1,084	1,038	835	657	614
Cash & balances with Reserve Bank	1,036	1,577	1,457	1,004	1,536	1,407
Cash	309	373	378	306	371	375
Balances	727	1,204	1,079	697	1,166	1,031
Investments	4,911	6,067	6,230	4,754	5,872	6,034
Government securities	3,527	4,357	4,520	3,437	4,246	4,409
Other approved securities	1,384	1,710	1,709	1,317	1,626	1,625
Bank credit	11,993	14,313	14,261	11,152	13,312	13,274
Loans, cash-credits and overdrafts	9,490	12,475	12,439	8,649	11,474	11,453
Inland bills purchased	1,084	686	699	1,084	686	699
,, discounted	886	521	502	886	521	501
Foreign bills purchased	361	399	405	361	399	405
,, discounted	172	232	217	172	232	217
Cash-Deposit Ratio	6.89	8.44	7.78	6.94	8.54	7.80
Investment-Deposit Ratio	32.68	32.48	33.28	32.86	32.64	33.46
Credit-Deposit Ratio	79.80	76.62	76.19	77.09	74.00	73.61

Source : Reserve Bank of India

Consumer Price Index Numbers for Industrial Workers (Base 1960 = 1

	1965-66	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976					197	
									Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.
All India	—	177	186	192	207	250	317	313	298	302	304	306	306	307	310
Ahmedabad	130	169	176	181	198	245	305	293	279	283	281	280	284	286	293
Alwaye	145	197	198	202	215	267	346	358	318	322	322	328	330	320	311
Asansol	140	178	189	194	206	245	316	317	319	319	321	323	321	322	326
Bangalore	144	183	186	194	212	265	318	332	312	319	326	335	330	336	342
Bhavnagar	132	178	186	194	217	273	327	315	297	301	303	300	298	297	301
Bombay	130	175	182	190	203	233	289	300	294	298	297	299	300	301	309
Calcutta	131	172	182	187	197	228	288	287	293	298	306	303	298	297	299
Coimbatore	132	154	163	177	189	218	209	319	312	213	315	313	312	312	315
Delhi	136	185	199	211	222	265	337	333	334	335	334	331	332	336	340
Digboi	138	180	189	188	198	234	310	317	311	310	309	308	310	312	314
Gwalior	139	184	191	197	214	271	348	324	322	322	320	314	314	322	330
Howrah	137	176	186	191	206	239	298	290	285	290	296	300	294	293	298
Hyderabad	140	185	189	195	211	251	304	316	303	304	311	317	321	321	320
Jamshedpur	136	170	183	187	202	249	313	293	284	284	297	297	293	294	299
Madras	134	160	170	182	203	229	301	314	280	283	287	298	305	398	298
Madurai	128	152	183	192	206	236	334	333	293	295	303	316	321	315	318
Monghyr	151	188	205	204	225	292	263	325	317	325	330	322	323	330	331
Mundakayam	138	191	197	199	210	263	337	346	303	305	305	309	310	313	294
Nagpur	138	176	187	192	203	256	214	326	294	305	305	303	295	298	299
Saharanpur	141	181	186	198	213	253	338	313	297	298	298	298	307	312	317
Sholapur	128	176	185	191	216	277	325	342	306	310	310	320	318	314	315

Source: Labour Bureau, Government of In

Consumer Price Index Numbers for Urban Non-manual Employees (Base 1960 = 1

	1965-66	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976					19
									Aug.	Sept.	Oct.	Nov.	Dec.	Jan.
All India	**132**	**167**	**174**	**180**	**192**	**221**	**270**	**277**	**277**	**279**	**280**	**280**	**280**	**282**
Bombay	132	162	168	172	183	204	241	249	256	256	256	255	255	256
Delhi-New Delhi	131	168	174	180	190	217	262	273	276	277	274	273	272	275
Calcutta	126	162	170	174	180	204	238	243	252	250	255	254	256	254
Madras	133	161	175	188	204	231	291	306	291	293	296	299	302	301
Hyderabad-Secunderabad	133	167	174	180	195	223	270	283	278	280	283	287	289	292
Bangalore	133	164	172	180	194	228	272	284	280	285	288	293	293	298
Lucknow	132	171	166	174	185	215	255	270	272	272	274	274	274	279
Ahmedabad	131	168	171	173	188	222	271	272	263	266	264	262	262	263
Jaipur	133	176	183	188	205	244	308	311	311	314	313	316	316	318
Patna	139	180	191	190	199	229	286	284	278	284	288	286	286	287
Srinagar	134	174	184	191	200	215	262	283	296	298	302	301	302	310
Trivandrum	131	172	178	184	198	231	280	297	299	302	304	305	308	308
Cuttack-Bhubaneswar	142	169	176	184	196	221	266	270	271	274	278	280	279	277
Bhopal	133	172	180	188	204	238	295	296	297	296	297	295	295	301
Chandigarh	129	171	178	183	194	217	265	278	286	286	283	282	283	287
Shillong	123	164	166	175	183	208	257	274	270	270	267	267	268	269

Source: Central Statistical Organis

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